



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020**

KOUGA LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

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The reports and statements set out below comprise the Annual Financial Statements presented to the council:

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KOUGA LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

General Information

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2020

H Hendricks	Executive Mayor
F Campher	Corporate Service
B Reeder	Planning and Development
B Williams	Finance
B Dhludhlu	Infrastructure & Engineering
D Benson	Community Services
F Baxter	Local Economic Development and Tourism

AUDITOR-GENERAL
69 Frere Road, Vincent, East London, 5247
Eastern Cape

BANKERS

First National Bank
Private Bag X5
Jeffreys Bay, 6330

REGISTERED OFFICE

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Jeffreys Bay

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Jeffreys Bay
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E-mail: registry@ec108.org.za

MUNICIPAL MANAGER

Mr. C. du Plessis

CHIEF FINANCIAL OFFICER

Mr. R Lorgat

KOUGA LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

Annual Financial Statements for the year ended 30 June 2020

General Information (Continued)

LEGAL FORM

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

The Objects of Local Government are:

to provide democratic and accountable government for local communities;
to ensure the provision of services to communities in a sustainable manner;
to promote social and economic development;
to promote a safe and healthy environment; and
to encourage the involvement of communities and community organisations in the matters of local government
The Municipality must strive, within its financial and administrative capacity, to achieve the objects as set out above.

JURISDICTION

Greater Kouga area which includes:

Humansdorp
St Francis Bay, Cape St Francis, Oyster Bay
Hankey, Jeffreys Bay, Loerie
Patensie, Thornhill

KOUGA LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

Approval of Annual Financial Statements

MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

WARD	COUNCILLOR	
1	Mayoni	Z
2	Meleni	T
3	Gertenbach	W
4	Campher	F
5	Coenraad	W
6	Vumazonke	V
7	Februarie	E
8	Vorster	L
9	Jujwana	S
10	Mabukane	A
11	Bornman	H
12	Rheeder	B
13	Peters	M
14	Makasi	S
15	Hendricks	H
Proportional	August	C
Proportional	Oliphant	P
Proportional	Jantjes	R
Proportional	Dayimani	M
Proportional	Van Niekerk	M
Proportional	Matroos	C
Proportional	Biko	M
Proportional	Nkwalase	P
Proportional	Botha	N
Proportional	Dhludhlu	B
Proportional	Benson	D
Proportional	Jantjes	T
Proportional	Williams	B
Proportional	Baxter	F

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in accordance with Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in


Mr. C du Plessis
Municipal Manager

2020-10-31

Date

KOUGA LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2020

Report of the Auditor General

These Financial Statements have not been audited

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

		Actual	
	Note	2020 R	2019 Restated R
ASSETS			
Current Assets		289,652,092	355,726,635
Inventories	2.	9,681,236	9,249,357
Receivables from Exchange Transactions	3.	45,875,434	54,093,203
Receivables from Non-exchange Transactions	4.	27,107,648	31,122,849
VAT Receivable	5.	65,780,872	46,795,893
Cash and Cash Equivalents	6.	141,032,614	214,227,967
Operating Lease Receivables	7.	171,287	234,365
Current Portion of Long-term Receivables	8.	3,000	3,000
Non-Current Assets		2,320,414,512	2,261,135,386
Property, Plant and Equipment	9.	2,077,173,028	2,018,326,592
Intangible Assets	10.	679,541	243,850
Investment Property	11.	242,551,944	242,551,944
Long-term Receivables	12.	10,000	13,000
Total Assets		2,610,066,604	2,616,862,021
LIABILITIES			
Current Liabilities		231,048,370	246,921,563
Consumer Deposits	13.	18,075,864	17,378,122
Provisions	14.	33,094,658	29,648,800
Payables from Exchange Transactions	15.	143,107,331	87,382,553
Payables from Non-exchange Transactions	16.	235,741	-
Unspent Conditional Grants and Receipts	17.	26,927,177	103,445,548
Current Portion of Long-term Liabilities	18.	9,607,597	9,066,539
Non-Current Liabilities		165,319,291	179,799,230
Long-term Liabilities	18.	6,746,811	16,354,409
Employee Benefit Liabilities	19.	86,255,839	94,807,417
Non-current Provisions	20.	72,316,640	68,637,404
Total Liabilities		396,367,660	426,720,793
Total Assets and Liabilities		2,213,698,944	2,190,141,228
NET ASSETS		2,213,698,944	2,190,141,228
Accumulated Surplus / (Deficit)	21.	2,213,698,944	2,190,141,228
Total Net Assets		2,213,698,944	2,190,141,228

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

		Actual	
	Note	2020 R	2019 Restated R
REVENUE			
Revenue from Non-exchange Transactions		491,682,836	439,683,637
Property Rates	22.	197,544,136	184,331,308
Fines, Penalties and Forfeits	23.	20,388,284	21,333,783
Licences and Permits	24.	11,066,499	15,792,788
Transfers and Subsidies	25.	261,034,594	216,899,825
Interest, Dividends and Rent on Land Earned	29.	1,649,323	1,325,934
Revenue from Exchange Transactions		454,567,452	440,424,050
Service Charges	26.	420,509,001	413,280,935
Sales of Goods and Rendering of Services	27.	11,110,286	6,171,011
Rental from Fixed Assets	28.	697,437	609,214
Interest, Dividends and Rent on Land Earned	29.	18,584,025	18,908,767
Operational Revenue	30.	3,666,703	1,454,124
Total Revenue		946,250,288	880,107,688
EXPENDITURE		922,692,573	820,753,098
Employee Related Costs	31.	293,708,033	274,158,400
Remuneration of Councillors	32.	12,876,077	12,202,166
Depreciation and Amortisation	33.	76,933,561	75,640,120
Impairment Losses	34.	75,457,662	45,764,042
Interest, Dividends and Rent on Land	35.	5,714,358	6,637,780
Bulk Purchases	36.	264,529,320	234,527,407
Contracted Services	37.	70,860,223	62,693,690
Inventory Consumed	38.	40,125,475	27,381,399
Transfers and Subsidies Paid	39.	250,000	-
Operating Leases	40.	6,699,738	9,510,378
Operational Costs	41.	73,820,555	71,487,261
Loss on Disposal of Property, Plant and Equipment	42.	1,717,571	750,454
Total Expenditure		922,692,573	820,753,098
SURPLUS / (DEFICIT) FOR THE YEAR		23,557,715	59,354,590
Refer to Budget Statement for explanation of budget variances			

KOUGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Total Funds & Reserves	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R	R
2019			
Balance at 30 June 2018	-	2,131,472,851	2,131,472,851
Correction of Error (Note 43)	-	(686,213)	(686,213)
Restated Balance	-	2,130,786,638	2,130,786,638
Surplus / (Deficit) for the year	-	59,354,590	59,354,590
<i>Surplus / (Deficit) as per prior 2018/19 AFS</i>		<i>59,138,890</i>	<i>59,138,890</i>
<i>Revenue & Expenditure Correction of Error (Note 43.)</i>		<i>215,699</i>	<i>215,699</i>
Balance at 30 June 2019	-	2,190,141,228	2,190,141,228
2020			
Correction of Error (Note 43)	-	-	-
Restated Balance	-	2,190,141,228	2,190,141,228
Surplus / (Deficit) for the year	-	23,557,716	23,557,716
Other Transfers to/from Accumulated Surplus		-	-
Balance at 30 June 2020	-	2,213,698,944	2,213,698,944

KOUGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Note	Actual 2020 R	2019 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	22.	191,428,034	183,353,633
Transfers and Subsidies	25.	184,516,223	313,403,865
Service Charges	26.	350,907,608	385,066,022
External Interest and Dividends Received	29.	11,657,220	11,946,693
Other Receipts	30.	63,439,397	32,528,938
Payments			
Employee Related Costs	31.	(300,280,792)	(274,990,290)
Remuneration of Councillors	32.	(12,876,077)	(12,202,166)
External Interest and Dividends Paid	35.	(2,502,983)	(3,496,757)
Suppliers Paid	38.	(355,512,174)	(336,077,974)
Other Payments	41.	(78,192,362)	(76,052,997)
VAT Paid	5.	(18,984,979)	(24,082,421)
NET CASH FLOWS FROM OPERATING ACTIVITIES	44.	33,599,115	199,396,544
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9..	(97,178,186)	(71,686,943)
Decrease / (Increase) in Long-term Receivables	12.	3,000	3,000
NET CASH FLOWS FROM INVESTING ACTIVITIES		(97,727,929)	(72,360,219)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (Decrease) in Long-term Loans (Loans Taken-on)	18.	(9,066,540)	(7,123,483)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(9,066,540)	(7,123,483)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(73,195,353)	119,912,842
Cash and Cash Equivalents at Beginning of Period	6.	214,227,967	94,315,125
Cash and Cash Equivalents at End of Period	6.	141,032,614	214,227,967

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Inventories	6,666,181	2,583,177	9,249,358	9,249,358	9,681,236	431,878	104.67	145.23
Receivables from Exchange Transactions	67,067,215	-	60,507,301	60,507,301	45,875,434	(14,631,867)	75.82	68.40
Receivables from Non-exchange Transactions	-	33,884,939	33,884,939	33,884,939	27,107,648	(6,777,291)	80.00	0.00
Statutory Receivables from Non-Exchange Transactions	-	-	-	-	-	-	0.00	0.00
VAT Receivable	-	-	-	-	65,780,872	65,780,872	0.00	0.00
Cash and Cash Equivalents	66,317,735	10,010,629	76,328,364	76,328,364	141,032,614	64,704,250	184.77	212.66
Operating Lease Receivables	-	-	-	-	171,287	171,287	0.00	0.00
Current Portion of Long-term Receivables	-	3,000	3,000	3,000	3,000	-	100.00	0.00
Non-Current Assets								
Property, Plant and Equipment	1,961,428,032	162,576,257	2,124,004,289	2,124,004,289	2,077,173,028	(46,831,261)	97.80	105.90
Intangible Assets	1,801,768	410,520	2,212,288	2,212,288	679,541	(1,532,747)	30.72	37.72
Investment Property	354,388,814	(111,836,870)	242,551,944	242,551,944	242,551,944	-	100.00	68.44
Heritage Assets	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	16,000	(3,000)	13,000	13,000	10,000	(3,000)	76.92	62.50
Total Assets	2,457,685,745	97,628,652	2,548,754,483	2,548,754,483	2,610,066,604	61,312,121	102.41	106.20
Current Liabilities								
Consumer Deposits	15,240,869	2,137,253	17,378,122	17,378,122	18,075,864	697,742	104.02	118.60
Provisions	-	29,648,800	29,648,800	29,648,800	33,094,658	3,445,858	111.62	0.00
Payables from Exchange Transactions	-	133,730,281	133,730,281	133,730,281	143,107,331	9,377,050	107.01	0.00
Payables from Non-exchange Transactions	-	-	-	-	235,741	235,741	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	26,927,177	26,927,177	0.00	0.00
Current Portion of Long-term Liabilities	-	9,066,538	9,066,538	9,066,538	9,607,597	541,059	105.97	0.00
Non-Current Liabilities								
Long-term Liabilities	-	18,555,536	18,555,536	18,555,536	6,746,811	(11,808,725)	36.36	0.00
Employee Benefit Liabilities	-	80,398,309	80,398,309	80,398,309	86,255,839	5,857,530	107.29	0.00
Non-current Provisions	-	83,046,512	83,046,512	83,046,512	72,316,640	(10,729,872)	87.08	0.00
Total Liabilities	15,240,869	356,583,229	371,824,098	371,824,098	396,367,660	24,543,562	106.60	2,600.69
Total Assets and Liabilities	2,442,444,876	(258,954,577)	2,176,930,385	2,176,930,385	2,213,698,944	36,768,559	101.69	90.63
Net Assets (Equity)								
Accumulated Surplus / (Deficit)	2,130,634,602	46,295,784	2,176,930,386	2,176,930,386	2,213,698,944	36,768,558	101.69	103.90
Total Net Assets	2,130,634,602	46,295,784	2,176,930,386	2,176,930,386	2,213,698,944	36,768,558	101.69	103.90
Financial Position: Explanation of Variances between Approved Budget and Actual								
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:								
Receivables from Exchange Transactions: The variance is due to unanticipated increase in debtors' bad debt provision due to the impact of National Lockdown caused by the Covid-19 Pandemic, which has rendered debtors unable to pay their current obligations to the municipality.								
Receivables from Non-exchange Transactions Receivables from Non-exchange Transactions mostly related to Property Rates and traffic fines debtors and they have been reclassified as Statutory Receivables from Non-exchange Transactions in line with GRAP108. The variance is due to unanticipated increase in debtors' bad debt provision due to Covid-19 Pandemic.								
Statutory Receivables from Non-Exchange Transactions NT Budget Template not aligned to GRAP and does not provide for Statutory Receivables from Non-Exchange Transactions, but the variance is explained in terms of Receivables from Non-exchange Transactions.								
VAT Receivable: No budget provision was made for VAT Receivable.								
Cash and Cash Equivalents: The Cash and Cash Equivalents is influenced by the Capital Projects rollover to 2020/21 financial year and the unspent Conditional Grants.								
Operating Lease Receivables: No Budget provision was made for Operating Lease Receivables.								
Intangible Assets: Intangible Assets variance is due to the reclassification to Property, Plant and Equipment (PPE).								
Long-term Receivables: Budget provision slightly higher than anticipated.								
Provisions: This amount relates to Employee Related Benefits and Rehabilitation of landfill sites. The actuals are slightly higher than budgeted amount.								
Payables from Non-exchange Transactions: NT Budget Template not aligned to GRAP and does not provide for Payables from Non-exchange Transactions.								
Unspent Conditional Grants and Receipts: No budget provision is allowed for the Unspent Conditional Grants, unless a rollover has been approved by National Treasury.								
Long-term Liabilities: Budget provision included the current portion of the long-term liabilities								
Non-current Provisions: Budget provision slightly higher than anticipated.								

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	196,716,970	504,518	197,221,488	197,221,488	197,544,136	322,648	100.16	100.42
Fines, Penalties and Forfeits	6,397,149	- 1	6,397,148	6,397,148	20,388,284	13,991,136	318.71	318.71
Licences and Permits	12,830,145	3,809,931	16,640,076	16,640,076	11,066,499	- 5,573,577	66.51	86.25
Transfers and Subsidies	191,174,835	- 994,272	190,180,563	190,180,563	261,034,594	70,854,031	137.26	136.54
Surcharges and Taxes	-	1	1	1	-	1	0.00	0.00
Interest, Dividends and Rent on Land Earned	1,483,759	617,041	2,100,800	2,100,800	1,649,323	- 451,477	78.51	111.16
Revenue from Exchange Transactions								
Licences and Permits	3,738,203	- 556,459	3,181,744	3,181,744	-	- 3,181,744	0.00	0.00
Service Charges	453,250,715	- 943,987	452,306,728	452,306,728	420,509,001	- 31,797,727	92.97	92.78
Sales of Goods and Rendering of Services	6,845,699	- 975,132	5,870,567	5,870,567	11,110,286	5,239,719	189.25	162.30
Income from Agency Services	-	-	-	-	-	-	0.00	0.00
Rental from Fixed Assets	4,036,616	- 2	4,036,614	4,036,614	697,437	- 3,339,177	17.28	17.28
Interest, Dividends and Rent on Land Earned	17,330,274	6,836,130	24,166,404	24,166,404	18,584,025	- 5,582,379	76.90	107.23
Operational Revenue	951,534	266,298	1,217,832	1,217,832	3,666,703	2,448,871	301.08	385.35
Total Revenue	894,755,899	8,564,066	903,319,965	903,319,965	946,250,288	42,930,322	104.75	105.76
Expenditure								
Employee Related Costs	290,941,607	12,277,377	303,218,984	303,218,984	293,708,033	- 9,510,951	96.86	100.95
Remuneration of Councillors	13,062,989	-	13,062,989	13,062,989	12,876,077	- 186,912	98.57	98.57
Depreciation and Amortisation	85,100,653	-	85,100,653	85,100,653	76,933,561	- 8,167,092	90.40	90.40
Impairment Losses	26,336,275	83,371	26,419,646	26,419,646	75,457,662	49,038,016	285.61	286.52
Interest, Dividends and Rent on Land	2,201,127	2	2,201,129	2,201,129	5,714,358	3,513,229	259.61	259.61
Bulk Purchases	271,623,157	-	271,623,157	271,623,157	264,529,320	- 7,093,837	97.39	97.39
Contracted Services	80,813,543	2,689,225	83,502,768	83,502,768	70,860,223	- 12,642,545	84.86	87.68
Inventory Consumed	29,620,873	5,329,964	34,950,837	34,950,837	40,125,475	5,174,638	114.81	135.46
Transfers and Subsidies Paid	-	250,000	250,000	250,000	250,000	-	100.00	0.00
Operating Leases	11,263,294	- 1,121,107	10,142,187	10,142,187	6,699,738	- 3,442,449	66.06	59.48
Operational Costs	86,173,148	10,474,983	96,648,131	96,648,131	73,820,555	- 22,827,576	76.38	85.67
Losses on Other Operations	-	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	1,717,571	1,843,760	0.00	0.00
Total Expenditure	897,136,666	29,983,815	927,120,481	927,120,481	922,692,573	- 4,301,719	99.52	102.85
Surplus/(Deficit for the Year)	(2,380,767)	(21,419,749)	(23,800,516)	(23,800,516)	23,557,715	47,232,042	-	-
Financial Performance: Explanation of Variances between Approved Budget and Actual								
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:								
Fines, Penalties and Forfeits:								
Fines mostly relate to the traffic fines and arise from unanticipated traffic infringements.								
Licences and Permits Non-exchange:								
Licences and Permits mostly relate to motor registrations and is influenced by the extent of vehicle registrations. The licences and Permits budget provision is higher than anticipated.								
Transfers and Subsidies:								
Transfers and Subsidies recognised are higher than the budgeted amount, due to the rollover of the Water Services Infrastructure Grant from 2018/19 financial year.								
Surcharges and Taxes								
NT Budget Template not aligned to GRAP and does not provide for Surcharges and Taxes.								
Interest, Dividends and Rent on Land Earned: Non-Exchange								
This relates to the interest earned on the outstanding Property Rates Accounts. The interest realised is slightly lower than anticipated due to rebates given as a result of Covid 19 Pandemic.								
Licences and Permits Exchange:								
The budget is slightly higher than anticipated.								
Sales of Goods and Rendering of Services:								
Sales of Goods and Rendering of Services actuals are lower than anticipated and could be attributed by the effects of the National Lockdown imposed as result of the Covid-19 Pandemic.								
Rental from Fixed Assets:								
This relates to the rental of municipal buildings, community halls and other municipal facilities. The revenue recognised is lower than anticipated due to National Lockdown as result of the Covid 19 Pandemic.								
Interest, Dividends and Rent on Land Earned: Exchange Transe								
This interest relates to interest earned on bank and investments and interest charged on outstanding debtors. The actuals are lower than anticipated mostly due to the municipality not charging interest on the outstanding debtors as result of Covid-19 Pandemic.								
Operational Revenue:								
The variance is due unanticipated insurance claims/refunds.								
Impairment Losses:								
The variance is due to traffic fines bad debt provision not budgeted for.								
Interest, Dividends and Rent on Land:								
The variance is due to interest charged on Overdue Creditors, Finance Lease and Landfill sites provision not budgeted for.								
Contracted Services:								
The budget is slightly higher than anticipated.								
Inventory Consumed								
The actual expenditure is slightly higher than anticipated.								
Operating Leases								
The operating leases actuals are lower than anticipated and could be attributed by the effects of the National Lockdown imposed as result of the Covid-19 Pandemic.								
Operational Costs								
The operational costs actuals are lower than anticipated and could be attributed by the effects of the National Lockdown imposed as result of the Covid-19 Pandemic.								
Loss on Disposal of Property, Plant and Equipment:								
No budget provision was made for loss on Disposal of Property, Plant and Equipment								

KOUGA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Receipts								
Property Rates	188,848,290	484,338	189,332,628	189,332,628	191,428,034	2,095,406	101.11	101.37
Transfers and Subsidies	191,174,835	(994,274)	190,180,561	190,180,561	184,516,223	(5,664,338)	97.02	96.52
Service Charges	435,120,682	(906,223)	434,214,459	434,214,459	350,907,608	(83,306,851)	80.81	80.65
External Interest and Dividends Received	18,476,472	7,355,043	25,831,515	25,831,515	11,657,220	(14,174,295)	45.13	63.09
Other Receipts	34,799,346	2,544,635	37,343,981	37,343,981	63,439,397	26,095,416	169.88	182.30
Payments								
Employee Related Costs	(290,941,607)	(12,277,375)	(303,218,982)	(303,218,982)	(300,280,792)	2,938,190	0.00	0.00
Remuneration of Councillors	(13,062,989)	-	(13,062,989)	(13,062,989)	(12,876,077)	186,912	0.00	0.00
External Interest and Dividends Paid	(2,201,127)	-	(2,201,127)	(2,201,127)	(2,502,983)	(301,856)	0.00	0.00
Suppliers Paid	(479,494,016)	(17,623,072)	(497,117,088)	(497,117,088)	(355,512,174)	141,604,914	0.00	0.00
Other Payments	-	-	-	-	(78,192,362)	(78,192,362)	0.00	0.00
VAT Receivable / Payable	-	-	-	-	(18,984,979)	(18,984,979)	0.00	0.00
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	93,110,299	99,165,976	192,276,275	192,276,275	(97,178,186)	(289,454,461)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(552,742)	(552,742)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	3,000	3,000	3,000	3,000	0	100.00	0.00
Cash Flows from/(used in) Financing Activities								
Increase in Long-term Loans (Loans Taken-on)	(7,998,872)	(1,067,667)	(9,066,539)	(9,066,539)	(9,066,540)	(1)	0.00	0.00
Cash and Cash Equivalents at Beginning of the Year	84,707,019		214,227,967	214,227,967	214,227,967	(319,848,301)	100.00	252.90
Cash and Cash Equivalents at End of the Year	66,317,735		76,328,364	76,328,364	141,032,614			
Cash Flow Statement: Explanation of Variances between Approved Budget and Actual								
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:								
Service Charges								
The receipts for service charges are lower than anticipated due to low collection rate as result of National Lockdown caused by Covid-19 Pandemic.								
External Interest and Dividends Received								
This interest relates to interest earned on bank and investments and interest charged on outstanding debtors. The actuals are lower than anticipated mostly due to low collection rate as result of Covid-19 Pandemic.								
Other Receipts								
NT Budget Template not aligned to GRAP and other receipts are higher than anticipated due to receipts from Non-exchange Transactions.								
External Interest and Dividends Paid								
The variance is due to interest charged on Overdue Creditors, Finance Lease and Landfill sites provision not budgeted for.								
Suppliers Paid								
Suppliers paid actuals should include Other Payments and are slightly lower than anticipated as result of National Lockdown caused by Covid-19 Pandemic.								
Other Payments								
NT Budget Template not aligned to GRAP and does not provide for Other Payments, this line is included in Suppliers Paid in the approved budget.								
VAT Receivable / Payable								
No budget provision was made for VAT Receivable/Payable.								
Purchase of Property, Plant and Equipment								
The underspending of projects relate to various Capital Programmes, with the budget rollover to 2020/21 for implementation of the projects. The budget rollover was approved by Council on 30 September 2020. This is also influenced by the underspending of Conditional Grants.								
Purchase of Intangible Assets								
The budget provision was made in Property, Plant and Equipment								

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Statement of Financial Performance has been prepared to classify expenses by nature, whilst revenue is classified in a manner

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on the Standard Chart of Accounts, announced in Government Gazette No 37577 of 22 April 2014, in accordance with section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1 Utilisation of Transitional Provisions

GRAP 108 Statutory Receivables

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard

The municipality is taking advantage of the transitional provisions by not classifying or measuring its Statutory Receivables in

The estimate Statutory Receivables that exists in the municipality's books at year-end are those relating to Property Rates, Fines and

The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2021.

1.2 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.3 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2019 and 30 June 2020 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

With the adoption of mSCOA the municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

1.4 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.4.1 Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.4.2 Impairment of Financial Assets

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.
- **Impairment of Statutory Receivables**
Accounting Policy 7.3 on Impairment of Statutory Receivables describes the process followed to determine the value at which Statutory Receivables should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Statutory Receivables recorded during the year is appropriate.
- **Impairment of Traffic Fines:**
Assessing and recognising impairment of Receivables for Traffic Fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not to be made at the time of initial recognition.

1.4.3 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 2.3, 3.2 and 4.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.4.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy 5 on Impairment of Assets, Accounting Policy 3.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 7.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value or Current Replacement Cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment, and Intangible Assets are disclosed in Notes 2, 9 and 10 to the Annual Financial Statements, if applicable.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.4.5 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 7.2.2

1.4.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.4.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.4.8 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.4.9 Principals and Agent Arrangements

The municipality assesses whether it is a party to any principal-agent arrangements by considering the principles contained in GRAP 109.

The municipality is assessed to be the agent and only accounts for the amounts which the agent are entitled to in terms of the principal-agent arrangement. In order to assess that the municipality is the agent, the following factors were considered in applying its judgement:

- The municipality acts as an agent for Department of Transport for issuing licenses and permits and collects monies on their behalf.

Management has assessed all arrangements in place and concluded that there are no principal-agent arrangements to which it was a party during this accounting period.

1.4.10 Service Concession Arrangements

The municipality assesses whether it is a party to any service concession arrangements by considering the principles contained in GRAP 32 and IFRIC 12.

Management has assessed all arrangements in place and concluded that there are no service concession arrangements to which it was a party during this accounting period.

1.4.11 Housing Arrangements

The municipality is not accredited to deliver housing under the national housing programme. However it assesses its roles and responsibilities it undertakes for each project undertaken in terms of the national housing programme by assessing the terms and conditions agreed with the relevant Provincial Department of Human Settlements.

The municipality is assessed to be the project manager and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP and the required disclosures are made in the relevant Notes to the Financial Statements. In order to assess that the municipality is the project manager, the following factors were considered in applying its judgement:

- The municipality acts on behalf of the Department of Human Settlement and acts on their behalf. The municipality acts as project manager whereby they co-ordinate representatives from Department of Human Settlement and contractors.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.5 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Assumption*.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard of GRAP		Effective Date
• GRAP 18	Segment Reporting	2020-04-01
• GRAP 34	Separate Financial Statements	2020-04-01
• GRAP 35	Consolidated Financial Statements	2020-04-01
• GRAP 36	Investments in Associates and Joint Ventures	2020-04-01
• GRAP 37	Joint Arrangements	2020-04-01
• GRAP 38	Disclosure of Interests in Other Entities	2020-04-01
• GRAP 104	Financial Instruments	2020-04-01
• GRAP 110	Living and Non-living Resources	2020-04-01
• IGRAP 20	Accounting for Adjustments to Revenue	2020-04-01

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

2.2 Subsequent Measurement

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings			Community	
	Improvements	5 - 50		Community Facilities	5 - 50
				Recreational Facilities	10 - 40
	Infrastructure			Other	
	Electricity	10 - 80		Computer Equipment	3 - 10
	Railways	30		Emergency Equipment	5 - 10
	Roads and Paving	5 - 80		Furniture and Fittings	5 - 15
	Sanitation	5 - 80		Transport Assets	7 - 15
	Sewerage / Solid Waste	5 - 80		Office Equipment	3 - 15
	Water	5 - 80		Plant and Equipment	2 - 20
	Landfill Sites	30 - 50		Other Assets	5 - 15

2.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

2.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

2.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

2.7 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2.8 Derecognition

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. INTANGIBLE ASSETS

3.1 Recognition and Initial Measurement

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software Purchased	3 - 5			

3.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

4. INVESTMENT PROPERTY

4.1 Initial Recognition

At initial recognition, the municipality measures Investment Property at cost. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 50 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is recognised in Surplus or Deficit.

4.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

5. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

5.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

5.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

6. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Recognition and Off-setting

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

6.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Trade and Other Receivables exclude Value Added Taxation, Prepayments and Operating Lease Receivables are classified as Financial Assets at Amortised Cost.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

6.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

6.3.2 Financial Liabilities:

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Prepayments are carried at cost less any accumulated impairment losses.

6.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

6.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- Interest is charged on all outstanding balances at a rate of the banker's prime rate plus 1%.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7. STATUTORY RECEIVABLES

Statutory Receivables are receivables that arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset.

The municipality has the following Statutory Receivables from Non-exchange Transactions:

- Assessment Rates

7.1 Recognition and Initial Measurement

Statutory Receivables are recognised if the transaction is an exchange transaction per GRAP 9 or a non-exchange transaction per GRAP 23 or, if the transaction is not within the scope of GRAP 9 or GRAP 23, or another Standard of GRAP, and the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be reliably measured.

The municipality recognises Statutory Receivables when they arise.

Statutory Receivables are initially measured at their transaction amount. The transaction amount would be the amount that is determined on initial measurement in accordance with the relevant Standard of GRAP.

7.2 Subsequent Measurement

Statutory Receivables are measured after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- (a) Interest or other charges that may have accrued on the receivable, where applicable;
- (b) Impairment losses; and
- (c) Amounts derecognised.

7.3 Impairment

Statutory Receivables are assessed for indicators of impairment at the end of each reporting period. Statutory Receivables are impaired where there is any indication of impairment of Statutory Receivables, such as the probability of insolvency or significant financial difficulties of the debtor.

In assessing whether Statutory Receivables are impaired, the municipality assesses whether there are any indications that individually significant receivables are impaired; and/or groups of similar, individually insignificant, receivables are impaired.

7.4 Derecognition

The municipality derecognises Statutory Receivables only when the rights to the cash flows from the receivable expires or it transfers the Statutory Receivable and substantially all the risks and rewards of ownership of the receivable to another municipality, except when council approves the write-off of the receivable due to non-recoverability.

The municipality derecognises a receivable if the municipality, despite having retained some significant risks and rewards of ownership, transfers control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality recognises separately any rights and obligations created or retained in the transfer. The carrying amount of and statutory receivables transferred is allocated between the rights and obligations retained and those transferred on the basis of the relative fair values at the transfer date. The municipality assesses whether any newly created rights and obligations are within the scope of GRAP 104 or another Standards of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, is recognised in surplus or deficit in the period transferred.

KOUGA LOCAL MUNICIPALITY
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8. INVENTORIES

8.1 Recognition and Initial Measurement

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8.2 Subsequent Measurement

8.2.1 Consumable Stores

Inventories sold are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the *weighted average Method*.

Consumable stores distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date). The cost is determined using the *weighted average Method*.

8.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

9. CONSTRUCTION CONTRACTS

Construction Contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group) of items must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably.

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The municipality assessed all of the contracts in place and found that all of the contracts pertained to Housing Arrangements as those described in ASB's Accounting for Arrangements Undertaken in terms of the National Housing Programme. All of these contracts for the municipality are fixed price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

In exceptional cases, if any, for a cost plus or cost based contract the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably.

An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

10. REVENUE RECOGNITION

10.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The fair value of revenue on initial recognition is normally the transaction price. The fair value of a short-term receivable or payable on

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity

10.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

10.2.4 Interest Earned

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest on outstanding customer receivables is calculated when the receivable is more than 30 days at prime rate plus 1%, and

10.2.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.6 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

10.2.7 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when

10.3.2 Fines

Fines constitute both spot fines and summonses

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The municipality uses estimates to determine the amount of revenue that the municipality is entitled to collect that is subject to further legal proceedings.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10.3.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

10.3.4 Interest Earned

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

10.3.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.3.6 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.3.7 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10.3.8 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

10.3.9 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11. CONSUMER DEPOSITS

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit

12. PROVISIONS

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

12.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

13. EMPLOYEE BENEFIT LIABILITIES

13.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

14. LEASES

14.1 The Municipality as Lessee

14.1.1 Finance Leases

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

14.1.2 Operating Leases

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

14.2 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, except where the commencement date for capitalisation is prior to 1 July 2008, then these borrowing costs are recognised as an expense in Surplus or Deficit.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

All borrowing costs are treated as an expense in the period in which they are incurred.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

19. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

21. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the *First-In-First-Out Method* as defined by GRAP 12 (*Inventories*).

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

23. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

KOUGA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

24. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

25. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

26. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2019 to 30 June 2020.

27. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in notes to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
1. GENERAL INFORMATION		
Kouga Municipality is a local government institution in Jeffreys Bay, Eastern Cape, and is one of seven local municipalities under the jurisdiction of the Sarah Baartman District Municipality. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).		
2. INVENTORIES		
Materials and Supplies	8,973,662	8,612,231
Water - at cost	707,574	637,127
Total Inventories	9,681,236	9,249,357
2.1 Allocation for Cash Flow		
<i>Suppliers Paid:-</i>		
Inventory - Opening Balance	9,249,357	6,666,181
Inventory - Closing Balance	(9,681,236)	(9,249,357)
Total Inventory allocated to Suppliers Paid	(431,879)	(2,583,176)
Total Inventory allocated to Cash Flow	(431,879)	(2,583,176)
Land Inventory relates to properties for sale.		
Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.		
The cost of Inventories recognised as an expense includes R40,125,475 (2019: R27,381,399)		
No Inventories have been pledged as collateral for Liabilities of the municipality.		

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Service Debtors:	169,711,420	129,050,796	40,660,624
Electricity	40,391,154	14,072,304	26,318,850
Refuse	41,251,246	39,343,262	1,907,985
Sewerage	24,575,972	21,981,883	2,594,089
Other Service Charges	4,986,329	3,296,280	1,690,049
Water	58,506,720	50,357,067	8,149,653
Other Debtors	724,062	-	724,062
Prepayments and Advances	3,139,189	22,000	3,117,189
Recoveries from Staff	191,443	22,000	169,443
Annual Licence Fees	2,947,746	-	2,947,746
Control, Clearing and Interface Accounts	480,017	-	480,017
Deposits for Land	893,543	-	893,543
Total Receivables from Exchange Transactions	174,948,231	129,072,796	45,875,434

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Service Debtors:	159,715,605	111,436,400	48,279,205
Electricity	41,593,571	9,158,760	32,434,811
Refuse	37,976,403	36,373,742	1,602,661
Sewerage	21,272,093	18,951,140	2,320,953
Other Service Charges	4,375,677	3,296,280	1,079,398
Water	54,497,861	43,656,479	10,841,381
Other Debtors	140,060	-	140,060
Prepayments and Advances	2,920,016	22,000	2,898,016
Recoveries from Staff	188,443	22,000	166,443
Annual Licence Fees	2,731,573	-	2,731,573
Control, Clearing and Interface Accounts	490,922		490,922
Deposits for Land	2,285,000	-	2,285,000
Total Receivables from Exchange Transactions	165,551,604	111,458,400	54,093,203

	2020 R	2019 R
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3.1 Allocation for Cash Flow

Service Charges:-

Service Debtors - Opening Balance	48,279,205	45,581,899
Service Debtors - Closing Balance	- 40,660,624	- 48,279,205
Service Debtors: Provision for Impairment - Opening Balance	111,436,400	92,926,783
Service Debtors: Provision for Impairment - Closing Balance	- 129,050,796	- 111,436,400
Other Receivables - Opening Balance	140,060	1,350
Other Receivables - Closing Balance	- 724,062	- 140,060
Total Receivables from Exchange Transactions allocated to Service Charges	(10,579,816)	(21,345,634)

Other Receipts:-

Receivables from Exchange Transactions: Gross - Opening Balance	165,551,604	141,760,964
Receivables from Exchange Transactions: Gross - Closing Balance	- 174,948,231	- 165,551,604
Less Cash Flow for:-		
Service Charges	10,579,816	21,345,634
Suppliers Paid	- 1,172,284	2,452,173
Profit on Sale of Land	-	1,168
Total Receivables from Exchange Transactions allocated to Other Receipts	10,905	6,000

Suppliers Paid:-

Prepayments and Advances - Opening Balance	2,898,016	2,730,843
Prepayments and Advances - Closing Balance	- 3,117,189	- 2,898,016
Prepayments and Advances: Provision for Impairment - Opening Balance	22,000	22,000
Prepayments and Advances: Provision for Impairment - Closing Balance	- 22,000	- 22,000
Prepayments and Advances - Opening Balance	2,285,000	-
Prepayments and Advances - Closing Balance	- 893,543	- 2,285,000
Total Receivables from Exchange Transactions allocated to Suppliers Paid	1,172,284	(2,452,173)

Profit on Sale of Land:-

Land Sale Debtors - Opening Balance	0.00	1,168.00
Land Sale Debtors - Closing Balance	0.00	0.00
Total Receivables from Exchange Transactions allocated to Profit on Sale of Land (Other Receipts)	-	1,168

Total Receivables from Exchange Transactions allocated to Cash Flow	(9,396,627)	(23,790,640)
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The municipality did not pledge any of its Receivables as security for borrowing purposes.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3.2 Ageing of Receivables from Exchange Transactions

As at 30 June 2020

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	9,695,733	1,600,000	10,669,081	18,426,340	40,391,154
Less: Provision for Impairment	106,944	61,878	1,970,754	11,932,727	14,072,304
Net Balances	9,588,788	1,538,122	8,698,327	6,493,613	26,318,850
Refuse:					
Gross Balances	-	559,302	3,565,867	37,126,077	41,251,246
Less: Provision for Impairment	-	91	916,786	38,426,384	39,343,262
Net Balances	-	559,211	2,649,081	(1,300,307)	1,907,984
Sewerage:					
Gross Balances	-	-	3,486,547	21,089,425	24,575,972
Less: Provision for Impairment	-	-	972,246	21,009,637	21,981,883
Net Balances	-	-	2,514,301	79,788	2,594,089
Other Service Charges:					
Gross Balances	664,315	119,647	58,633	4,143,734	4,986,329
Less: Provision for Impairment	10,662	6,367	34,284	3,244,967	3,296,280
Net Balances	653,653	113,280	24,350	898,767	1,690,049
Water:					
Gross Balances	4,607,206	1,000,734	5,005,877	47,892,904	58,506,720
Less: Provision for Impairment	-	633,697	1,245,917	48,477,453	50,357,067
Net Balances	4,607,206	367,037	3,759,960	(584,550)	8,149,652
Other Debtors:					
Gross Balances	724,062	-	-	-	724,062
Less: Provision for Impairment	-	-	-	-	-
Net Balances	724,062	-	-	-	724,062
Prepayments and Advances:					
Gross Balances	3,139,189	-	-	-	3,139,189
Less: Provision for Impairment	22,000	-	-	-	22,000
Net Balances	3,117,189	-	-	-	3,117,189
Control, Clearing and Interface Accounts:					
Gross Balances	480,017	-	-	-	480,017
Less: Provision for Impairment	-	-	-	-	-
Net Balances	480,017	-	-	-	480,017
Deposits for Land					
Gross Balances	893,543	-	-	-	893,543
Less: Provision for Impairment	-	-	-	-	-
Net Balances	893,543	-	-	-	893,543

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

As at 30 June Receivables of R25,810,978 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:					
Gross Balances	20,204,064	3,279,683	22,786,005	128,678,479	174,948,231
Less: Provision for Impairment	139,606	702,034	5,139,987	123,091,169	129,072,796
Net Balances	20,064,457	2,577,649	17,646,018	5,587,311	45,875,435

As at 30 June 2019

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Electricity:					
Gross Balances	14,364,309	13,139,589	2,279,686	11,809,987	41,593,571
Less: Provision for Impairment	925	96,589	54,392	9,006,855	9,158,760
Net Balances	14,363,384	13,043,000	2,225,294	2,803,133	32,434,811

Refuse:

Gross Balances	234	3,903,507	1,611,247	32,461,414	37,976,403
Less: Provision for Impairment	2	5,372	880,215	35,488,152	36,373,742
Net Balances	232	3,898,135	731,032	(3,026,737)	1,602,661

Sewerage:

Gross Balances	236	3,356,069	1,199,732	16,716,057	21,272,093
Less: Provision for Impairment	9	76,945	531,457	18,342,729	18,951,140
Net Balances	227	3,279,124	668,275	(1,626,672)	2,320,953

Other Service Charges:

Gross Balances	81,101	20,667	109,282	4,164,628	4,375,677
Less: Provision for Impairment	40,550	7,215	52,696	3,195,818	3,296,280
Net Balances	40,550	13,452	56,586	968,810	1,079,398

Water:

Gross Balances	1,988,538	5,277,651	2,441,130	44,790,541	54,497,861
Less: Provision for Impairment	165	144,153	1,114,465	42,397,696	43,656,479
Net Balances	1,988,373	5,133,498	1,326,666	2,392,845	10,841,381

Other Receivables:

Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-

Other Debtors:

Gross Balances	140,060	-	-	-	140,060
Less: Provision for Impairment	-	-	-	-	-
Net Balances	140,060	-	-	-	140,060

Prepayments and Advances:

Gross Balances	2,920,016	-	-	-	2,920,016
Less: Provision for Impairment	22,000	-	-	-	22,000
Net Balances	2,898,016	-	-	-	2,898,016

Control, Clearing and Interface Accounts:

Gross Balances	490,922	-	-	-	490,922
Less: Provision for Impairment	-	-	-	-	-
Net Balances	490,922	-	-	-	490,922

Deposits for Land

Gross Balances	2,285,000	-	-	-	2,285,000
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2,285,000	-	-	-	2,285,000

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

As at 30 June Receivables of R31,886,438 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:					
Gross Balances	22,270,416	25,697,483	7,641,077	109,942,627	165,551,604
Less: Provision for Impairment	63,651	330,274	2,633,225	108,431,250	111,458,400
Net Balances	22,206,765	25,367,208	5,007,853	1,511,377	54,093,203

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year		111,458,401	92,948,783
Impairment Losses recognised		31,492,073	10,663,601
Impairment Losses reversed		13,197,146	14,700,908
Amounts written off as uncollectable		(27,074,824)	(6,854,892)
Balance at end of year		129,072,796	111,458,400

3.3.1 Allocation for Cash Flow

Provision for Impairment at Beginning of Year		111,458,400	92,948,783
Movement in Non-cash Transactions:-			
Impairment Recognised		31,492,073	10,663,601
Impairment Reversed		13,197,146	14,700,908
Total Receivables from Exchange Transactions Impairment allocated to Non-cash Transactions		<u>44,689,219</u>	<u>25,364,509</u>
Movement in Service Charges:-			
Amounts Written-off	-	27,074,824	- 6,854,892
Total Receivables from Exchange Transactions Impairment allocated to Service Charges	-	<u>27,074,824</u>	<u>- 6,854,892</u>
Provision for Impairment at End of Year		129,072,795	111,458,400

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

3.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2020			
Property Rates	45,912,285	23,942,021	21,970,265
Fines	29,127,546	23,990,163	5,137,384
Total Receivables from Non-exchange Transactions	75,039,832	47,932,183	27,107,648

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Property Rates	38,146,861	18,090,368	20,056,493
Fines	50,676,807	39,610,451	11,066,356
Total Receivables from Non-exchange Transactions	88,823,668	57,700,819	31,122,849

4.1 Allocation for Cash Flow

Property Rates:-

Property Rates Debtors - Opening Balance	20,056,493	19,826,082
Property Rates Debtors - Closing Balance	- 21,970,265	- 20,056,493
Property Rates Debtors: Provision for Impairment - Opening Balance	18,090,368	16,017,170
Property Rates Debtors: Provision for Impairment - Closing Balance	- 23,942,021	- 18,090,368

Total Receivables from Non-exchange Transactions allocated to Property Rates	(7,765,424)	(2,303,609)
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Other Receipts:-

Receivables from Non-exchange Transactions - Opening Balance	31,122,849	26,465,782
Receivables from Non-exchange Transactions - Closing Balance	- 27,107,648	- 31,122,849
Receivables from Non-exchange Transactions: Provision for Impairment - Opening Balance	57,700,819	45,017,273
Receivables from Non-exchange Transactions: Provision for Impairment - Closing Balance	- 47,932,183	- 57,700,819
Less Cash Flow for:-		
Property Rates	7,765,424	2,303,609

Total Receivables from Non-exchange Transactions allocated to Other Receipts	21,549,260	(15,037,005)
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Total Receivables from Non-exchange Transactions allocated to Cash Flow	13,783,836	(17,340,613)
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The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

4.2 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2020

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	9,034,234	1,610,486	856,123	34,411,442	45,912,285
Less: Provision for Impairment	3,962,987	729,564	424,853	18,824,617	23,942,021
Net Balances	5,071,248	880,922	431,270	15,586,825	21,970,265
Fines:					
Gross Balances	29,127,546	-	-	-	29,127,546
Less: Provision for Impairment	23,990,163	-	-	-	23,990,163
Net Balances	5,137,384	-	-	-	5,137,384

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

As at 30 June Receivables of R16,899,017 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:					
Gross Balances	38,161,781	1,610,486	856,123	34,411,442	75,039,832
Less: Provision for Impairment	27,953,149	729,564	424,853	18,824,617	47,932,183
Net Balances	10,208,631	880,922	431,270	15,586,825	27,107,648

As at 30 June 2019

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Property Rates:					
Gross Balances	8,152,809	1,410,596	796,727	27,786,729	38,146,861
Less: Provision for Impairment	3,862,827	668,345	377,492	13,181,704	18,090,368
Net Balances	4,289,982	742,251	419,235	14,605,025	20,056,493

Fines:

Gross Balances	50,676,807	-	-	-	50,676,807
Less: Provision for Impairment	39,610,451	-	-	-	39,610,451
Net Balances	11,066,356	-	-	-	11,066,356

As at 30 June Receivables of R15,766,512 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:					
Gross Balances	58,829,615	1,410,596	796,727	27,786,729	88,823,668
Less: Provision for Impairment	43,473,278	668,345	377,492	13,181,704	57,700,819
Net Balances	15,356,337	742,251	419,235	14,605,025	31,122,849

2020
R

2019
R

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	57,700,819	45,017,273
Impairment Losses recognised	(9,768,636)	12,683,546
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Balance at end of year	47,932,183	57,700,819

4.3.1 Allocation for Cash Flow

Provision for Impairment at Beginning of Year	57,700,819	45,017,273
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Movement in Non-cash Transactions:-

Impairment Recognised	(9,768,636)	12,683,546
Impairment Reversed	-	-
Total Receivables from Non-exchange Transactions Impairment allocated to Non-cash Transactions	- 9,768,636	12,683,546

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<i>Movement in Property Rates:-</i>		
Amounts Written-off	-	-
Total Receivables from Non-exchange Transactions Impairment allocated to Property Rates	<u>-</u>	<u>-</u>
<i>Movement in Other Receipts:-</i>		
Amounts Written-off		
Total Receivables from Non-exchange Transactions Impairment allocated to Other Receipts	<u>-</u>	<u>-</u>
<i>Provision for Impairment at End of Year</i>	<u>47,932,183</u>	<u>57,700,819</u>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

5. VAT RECEIVABLE

Vat Receivable	<u>65,780,872</u>	<u>46,795,893</u>
5.1 Allocation for Cash Flow		
Movement on VAT Liability	(18,984,979)	(24,082,421)
Total VAT allocated to Cash Flow	<u>(18,984,979)</u>	<u>(24,082,421)</u>

Vat is payable on the receipts basis. The municipality however uses accrual accounting, and only once payment is received from debtors, VAT is paid over to SARS.

Furthermore, Vat is claimable on the payment basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. CASH AND CASH EQUIVALENTS

Cash on hand	421	421
Current Investments	122,294,823	200,626,600
Bank Accounts	18,737,370	13,600,946
Total Bank, Cash and Cash Equivalents	<u>141,032,614</u>	<u>214,227,967</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Call Deposits	122,294,823	200,626,600
Total Current Investment Deposits	<u>122,294,823</u>	<u>200,626,600</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.40 % to 10.00 % (2019: 5.00 % to 10.00 %) per annum.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
6.2 Bank Accounts		
Cash in Bank	18,737,370	13,600,946
Total Bank Accounts	<u>18,737,370</u>	<u>13,600,946</u>

The Municipality has the following operational bank accounts:

Primary Bank Account

Cash book balance at beginning of year	13,600,946	5,694,930
Cash book balance at end of year	<u>18,737,370</u>	<u>13,600,946</u>

First National Bank - Jeffreys bay Branch-Cheque Account Number: 52540020791

Bank statement balance at beginning of year	11,217,561	524,889
Bank statement balance at end of year	<u>11,782,906</u>	<u>11,217,561</u>

First National Bank - Jeffreys bay Branch-Cheque Account Number: 52540033304

Bank statement balance at beginning of year	2,383,385	3,734,959
Bank statement balance at end of year	<u>6,954,464</u>	<u>2,383,385</u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash Equivalents

Cash Floats and Advances	421	421
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>421</u>	<u>421</u>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

7. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	234,365	269,124
Operating Lease - Straight lining	-	-
Operating Lease Revenue effected	(63,078)	(34,759)
Total Operating Lease Receivables	<u>171,287</u>	<u>234,365</u>

7.1 Allocation for Cash Flow

Other Receipts:-

Operating Lease Receivables - Opening Balance	234,365	269,124
Operating Lease Receivables - Closing Balance	(171,287)	(234,365)

Total Operating Lease Receivables allocated to Other Receipts	<u>63,078</u>	<u>34,759</u>
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Total Operating Lease Receivables allocated to Cash Flow	<u>63,078</u>	<u>34,759</u>
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7.2 Leasing Arrangements

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.3 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	360,075	360,075
2 to 5 years	1,311,975	1,311,975
More than 5 years	-	-
Total Operating Lease Arrangements	1,672,050	1,672,050

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R63,078 (2019: increase of R-34,759) in current year income.

8. CURRENT PORTION OF LONG-TERM RECEIVABLES

Staff Related Long Term Receivables	3,000	3,000
Total Current Portion of Long-term Receivables	3,000	3,000

8.1 Allocation for Cash Flow

Other Receipts:-

Current Portion of Long-term Receivables - Opening Balance	3,000	3,000
Current Portion of Long-term Receivables - Closing Balance	(3,000)	(3,000)
Total Current Portion of Long-term Receivables allocated to Other Receipts	-	-
Total Current Portion of Long-term Receivables allocated to Cash Flow	-	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2020

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Transport Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2019	239,770,877	50,923,685	1,675,381,790	22,445,317	14,588,074	15,216,850	2,018,326,592
Cost	239,770,877	53,605,907	2,289,987,585	24,044,983	41,289,246	43,347,413	2,692,046,011
- Completed Assets	239,770,877	53,605,907	2,197,171,120	18,231,956	40,701,631	43,347,413	2,592,828,903
- Under Construction	-	-	92,816,465	5,813,027	587,615	-	99,217,108
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(879,000)	-	(1,587,000)	(392,222)	(341,978)	(3,200,201)
Accumulated Depreciation	-	(1,803,223)	(614,605,795)	(12,666)	(26,308,950)	(27,788,584)	(670,519,218)
Acquisition of Assets							
- Cost	2,950,000	-	1,176,792	-	8,165,570	13,662,214	25,954,576
- Capital Under Construction	-	-	111,477,179	-	-	-	111,477,179
- Revaluation	-	-	(0)	-	-	-	(0)
Decommissioning and other Liabilities	15,264	-	111,859	-	-	-	127,123
Increases/Decreases in Revaluation	-	-	-	-	-	-	-
Depreciation	-	(552,769)	(68,190,283)	(11,249)	(4,848,931)	(3,213,277)	(76,816,509)
Carrying value of Disposals:	-	-	(1,691,696)	-	(6,524)	(19,351)	(1,717,571)
- Cost	-	-	(3,102,874)	-	(13,849)	(177,426)	(3,294,149)
- Accumulated Depreciation	-	-	1,411,178	-	7,325	158,075	1,576,579
Impairment Losses	-	-	-	-	(49,220)	(112,979)	(162,199)
Capital under Construction - Completed	-	-	(40,380,691)	-	-	-	(40,380,691)
Other Movements	-	-	40,364,527	-	-	-	40,364,527
- Cost	-	-	40,364,527	-	-	-	40,364,527
- Transfers Received	-	-	40,364,527	-	-	-	40,364,527
- Transfers Made	-	-	-	-	-	-	-
Carrying values at 30 June 2020	242,736,141	50,370,915	1,718,249,477	22,434,068	17,848,968	25,533,458	2,077,173,028
Cost	242,736,141	53,605,907	2,399,634,377	24,044,983	49,440,967	56,832,200	2,826,294,576
- Completed Assets	242,736,141	53,605,907	2,235,721,424	18,231,956	48,853,351	56,832,200	2,655,980,979
- Under Construction	-	-	163,912,953	5,813,027	587,615	-	170,313,596
Revaluation	-	-	-	-	-	-	(0)
Accumulated Impairment Losses	-	(879,000)	-	(1,587,000)	(441,443)	(454,957)	(3,362,399)
Accumulated Depreciation	-	(2,355,992)	(681,384,901)	(23,915)	(31,150,556)	(30,843,785)	(745,759,148)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2019

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Transport Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2018	239,770,877	50,643,734	1,662,750,527	22,456,565	11,755,439	13,200,495	2,000,577,638
Cost	239,770,877	51,894,187	2,209,348,917	24,044,983	35,107,156	38,011,128	2,598,177,248
- Completed Assets	239,770,877	51,894,187	2,176,701,030	18,231,956	34,519,540	38,011,128	2,559,128,718
- Under Construction	-	-	32,647,887	5,813,027	587,615	-	39,048,530
Correction of error (Note 43.)	-	-	-	-	-	-	-
Change in Accounting Policy	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(1,587,000)	(392,222)	(341,978)	(2,321,201)
Accumulated Depreciation	-	(1,250,453)	(546,598,390)	(1,418)	(22,959,494)	(24,468,655)	(595,278,409)
Acquisition of Assets							
- Cost	-	(476,443)	196,083	-	6,345,274	5,513,711	11,578,624
- Capital Under Construction	-	-	82,734,553	-	-	-	82,734,553
Decommissioning and other Liabilities	-	-	(60,260)	-	-	-	(60,260)
Depreciation	-	(552,769)	(68,021,459)	(11,249)	(3,448,195)	(3,469,375)	(75,503,047)
Carrying value of Disposals:	-	-	(29,491)	-	(64,445)	(27,981)	(121,916)
- Cost	-	-	(43,545)	-	(163,183)	(177,426)	(384,154)
- Accumulated Depreciation	-	-	14,054	-	98,738	149,446	262,238
Impairment Losses	-	(879,000)	-	-	-	-	(879,000)
Capital under Construction - Completed	-	-	(22,565,974)	-	-	-	(22,565,974)
Other Movements	-	2,188,163	20,377,811	-	-	-	22,565,974
- Cost	-	2,188,163	20,377,811	-	-	-	22,565,974
- Transfers Received	-	2,188,163	20,377,811	-	-	-	22,565,974
- Transfers Made	-	-	-	-	-	-	-
Carrying values at 30 June 2019	239,770,877	50,923,685	1,675,381,790	22,445,317	14,588,074	15,216,850	2,018,326,592
Cost	239,770,877	53,605,907	2,289,987,585	24,044,983	41,289,246	43,347,413	2,692,046,011
- Completed Assets	239,770,877	53,605,907	2,197,171,120	18,231,956	40,701,631	43,347,413	2,592,828,903
- Under Construction	-	-	92,816,465	5,813,027	587,615	-	99,217,108
Accumulated Impairment Losses	-	(879,000)	-	(1,587,000)	(392,222)	(341,978)	(3,200,201)
Accumulated Depreciation	-	(1,803,223)	(614,605,795)	(12,666)	(26,308,950)	(27,788,584)	(670,519,218)

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
9. PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Allocation for Cash Flow		
<i>Property, Plant and Equipment at Beginning of Year</i>	2,018,326,592	2,000,577,639
Property, Plant and Equipment	1,919,109,484	1,961,529,109
Construction Work-in-Progress	99,217,108	39,048,530
<i>Movement in Non-cash Transactions:-</i>		
Depreciation for the Year	(76,816,509)	(75,503,047)
Impairment for the Year	(162,199)	(879,000)
Total Property, Plant and Equipment allocated to Non-cash Transactions	<u>(76,978,707)</u>	<u>(76,382,047)</u>
<i>Purchase of Property, Plant and Equipment:-</i>		
Acquisition of Property, Plant and Equipment	26,081,699	11,518,364
Acquisitions	25,954,576	11,578,624
Decommissioning, Restoration and Other Liabilities	127,123	(60,260)
Acquisition of Construction Work-in-Progress	71,096,488	60,168,578
Total Property, Plant and Equipment allocated to Purchase of Property, Plant and Equipment	<u>97,178,186</u>	<u>71,686,943</u>
<i>Disposal of Property, Plant and Equipment:-</i>		
Carrying Value of Disposals	(1,717,571)	(121,916)
Total Property, Plant and Equipment allocated to Proceeds on Disposal of Property, Plant and Equipment	<u>(1,717,571)</u>	<u>(121,916)</u>
<i>Transfer of Property, Plant and Equipment:-</i>		
Carrying Value of Transfers	40,364,527	22,565,974
Total Property, Plant and Equipment allocated to Suppliers Paid	<u>40,364,527</u>	<u>22,565,974</u>
<i>Property, Plant and Equipment at End of Year</i>	<u>2,077,173,028</u>	<u>2,018,326,593</u>
<i>Proceeds on Disposal of Property, Plant and Equipment:-</i>		
Disposals as per Reconciliation of Property, Plant and Equipment Note 9.1	1,717,571	121,916
Gains / Losses on Disposal of Property, Plant and Equipment Note 42.	(1,717,571)	(750,454)
Total Proceeds on Disposal of Property, Plant and Equipment allocated to Cash Flow	<u>-</u>	<u>(628,537)</u>
9.2 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
9.3 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation		
No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.		
9.4 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
9.5 Property, Plant and Equipment being rented out		
Some potential Investment Properties are recognized as PPE due to the insignificant portion being leased out.		
9.6 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R162,199 (2019: R879,000) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 34..		
Land	-	-
Buildings	-	879,000
Other Assets: Furniture and Office Equipment	49,220	-
Transport Assets	112,979	-
Total Impairment of Property, Plant and Equipment	<u>162,199</u>	<u>879,000</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9.7 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There was no change (2018/19: R0) in the estimated useful life of various assets of the municipality for the financial year.

9.8 Land and Buildings carried at Cost

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value was determined for the year under review.

9.9 Delayed Projects

Project Details	Delayed or Halted		
Community Asset	Delayed	5,813,027	5,813,027
Reason: The projects was delayed due to COVID 19 and the Drought disaster in the Kouga Area		-	-
Other Assets	Delayed	587,615	587,615
Reason: The projects was delayed due to COVID 19 and the Drought disaster in the Kouga Area			
Total Carrying Amounts of Delayed or Halted Projects		6,400,642	6,400,642

9.10 Expenditure incurred to repair and maintain

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Electrical Infrastructure			9,819,954	5,941,124
- Contracted Services	2,043,287	2,889,238		
- Inventory Consumed	7,680,626	2,902,021		
- Other Operational Costs	96,041	149,865		
Roads Infrastructure			25,495,148	16,031,616
- Contracted Services	18,685,600	11,535,222		
- Inventory Consumed	5,299,599	3,887,571		
- Other Operational Costs	1,509,949	608,823		
Sanitation Infrastructure			3,207,749	3,249,016
- Contracted Services	1,660,904	1,716,531		
- Inventory Consumed	1,110,962	1,041,668		
- Other Operational Costs	435,883	490,817		
Solid Waste Disposal			1,538,237	84,147
- Contracted Services	1,500,483	84,147		
- Other Operational Costs	37,754	-		
Storm water Infrastructure			726,282	773,977
- Contracted Services	79,464	46,344		
- Inventory Consumed	499,260	544,892		
- Other Operational Costs	147,559	182,741		
Water Supply Infrastructure			2,956,702	3,043,705
Community Assets			4,362,399	2,920,636
Machinery and Equipment			318,266	364,780
Other Assets - Buildings			1,965,669	5,169,718
Transport Assets			9,898,657	8,680,420
Total Expenditure related to Repairs and Maintenance Projects			60,289,063	46,259,139

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>679,541</u>	<u>243,850</u>
The movement in Intangible Assets is reconciled as follows:		
	Software Purchased	Total
Carrying values at 01 July 2019	243,849	243,849
Cost	623,643	623,643
Accumulated Amortisation	(379,794)	(379,794)
Acquisitions:	552,742	552,742
Purchased	552,742	552,742
Amortisation:	(117,051)	(117,051)
Purchased	(117,051)	(117,051)
Internally Developed	-	-
Carrying values at 30 June 2020	679,540	679,540
Cost	1,176,385	1,176,385
Accumulated Amortisation	(496,845)	(496,845)
	Software Purchased	Total
Carrying values at 01 July 2018	301,769	301,769
Cost	575,905	575,905
Accumulated Amortisation	(274,136)	(274,136)
Acquisitions:	47,738	47,738
Amortisation:	(105,658)	(105,658)
Purchased	(105,658)	(105,658)
Carrying values at 30 June 2019	243,849	243,849
Cost	623,643	623,643
Accumulated Amortisation	(379,794)	(379,794)
10.1 Allocation for Cash Flow		
<i>Intangible Assets at Beginning of Year</i>	243,850	301,768
<i>Movement in Non-cash Transactions:-</i>		
Amortisation for the Year	(117,051)	(105,658)
Total Intangible Assets allocated to Non-cash Transactions	<u>(117,051)</u>	<u>(105,658)</u>
<i>Purchase of Intangible Assets:-</i>		
Acquisition of Intangible Assets	552,742	47,739
Total Intangible Assets allocated to Purchase of Intangible Assets	<u>552,742</u>	<u>47,739</u>
<i>Intangible Assets at End of Year</i>	679,541	243,850

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33.).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10.2 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

10.3 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

10.4 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10.5 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

10.6 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

11. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

242,551,944

242,551,944

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

242,551,944

242,551,944

Cost

242,551,944

242,551,944

Acquisitions during the Year

-

-

Cost

-

-

Carrying values at 30 June

242,551,944

242,551,944

Cost

242,551,944

242,551,944

11.1 Allocation for Cash Flow

Investment Property at Beginning of Year

242,551,944

242,551,944

Total Investment Property allocated to Non-cash Transactions

-

-

Total Investment Property allocated to Purchase of Investment Property

-

-

Total Investment Property allocated to Suppliers Paid

-

-

Investment Property at End of Year

242,551,944

242,551,944

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	-	-
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

11.2 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

11.3 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

11.4 Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

11.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
12. LONG-TERM RECEIVABLES		
Staff Related Long Term Receivables	13,000	16,000
Total Long Term Receivables	<u>13,000</u>	<u>16,000</u>
Less: Current Portion transferred to Current Receivables:-	3,000	3,000
Staff Related Long Term Receivables	<u>3,000</u>	<u>3,000</u>
Staff Related Long Term Receivables	<u>10,000</u>	<u>13,000</u>
Non-Current Potion of Long Term Receivables	<u><u>10,000</u></u>	<u><u>13,000</u></u>
12.1 Allocation for Cash Flow		
<i>Decrease / (Increase) in Long-term Receivables:-</i>		
Long-term Receivables - Opening Balance	13,000	16,000
Long-term Receivables - Closing Balance	(10,000)	(13,000)
Total Long-term Receivables allocated to Decrease / (Increase) in Long-term Receivables	<u>3,000</u>	<u>3,000</u>
Total Long-term Receivables allocated to Cash Flow	<u><u>3,000</u></u>	<u><u>3,000</u></u>

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
13. CONSUMER DEPOSITS		
Electricity	10,835,939	10,563,805
Water	1,821,417	1,728,648
Other Deposits:-	5,418,508	5,085,670
	<u>18,075,864</u>	<u>17,378,122</u>
Total Consumer Deposits		
13.1 Allocation for Cash Flow		
Service Charges:-		
Consumer Deposits: Trading Services - Opening Balance	(12,292,453)	(11,198,105)
Consumer Deposits: Trading Services - Closing Balance	12,657,356	12,292,453
	<u>364,903</u>	<u>1,094,348</u>
Total Consumer Deposits allocated to Service Charges		
Other Receipts:-		
Consumer Deposits: Other Services - Opening Balance	(5,085,670)	(4,042,764)
Consumer Deposits: Other Services - Closing Balance	5,418,508	5,085,670
	<u>332,839</u>	<u>1,042,906</u>
Total Consumer Deposits allocated to Other Receipts		
Total Consumer Deposits allocated to Cash Flow	<u>697,742</u>	<u>2,137,254</u>
CONSUMER DEPOSITS - LAND SALES		
Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.		
No interest is paid on Consumer Deposits held.		
14. PROVISIONS		
Performance Bonus	2,395,065	2,296,662
Current Portion of Employee Benefit Liabilities:	5,921,037	5,531,692
Post-retirement Medical Aid Benefits Liability	3,176,023	2,982,243
Post-retirement Pension Benefits Liability	21,249	21,048
Long-term Service Liability	2,723,765	2,528,401
Current Portion of Non-Current Provisions:	24,778,557	21,820,446
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	3,547,270	2,793,944
Environmental Cleanup	1,036,522	2,000,000
Leave	20,194,765	17,026,502
	<u>33,094,658</u>	<u>29,648,800</u>
Total Provisions		
14.1 Allocation for Cash Flow		
Provisions at Beginning of Year	29,648,800	24,504,611
Movement in Non-cash Transactions:-		
Provisions	3,251,877	5,284,899
Defined Benefit Obligations	3,197,272	3,003,291
	<u>6,449,149</u>	<u>8,288,190</u>
Total Provisions allocated to Non-cash Transactions		
Movement in Employee Related Costs:-		
Provisions: Reductions (Outflow of Economic Benefits)	-	-
Defined Benefit Obligations: Actual Benefit Payments	(3,003,291)	(3,144,000)
	<u>(3,003,291)</u>	<u>(3,144,000)</u>
Total Provisions allocated to Employee Related Costs		
Provisions at End of Year	<u>33,094,659</u>	<u>29,648,800</u>
Current Provisions:		

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Performance Bonus:		
Opening Balance	2,296,662	1,220,196
Increases	98,403	1,076,466
Balance at end of year	<u>2,395,065</u>	<u>2,296,662</u>

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

	Medical Aid R	Pension Fund R
30 June 2020		
Opening Balance	2,982,243	21,048
Reversals	-	-
Interest cost	-	-
Current service cost	3,176,023	21,249
Actual employer benefit payments	(2,982,243)	(21,048)
Actuarial loss/ (gain) recognised in the year	-	-
Balance at end of year	<u>3,176,023</u>	<u>21,249</u>

	Medical Aid R	Pension Fund R
30 June 2019		
Opening Balance	3,083,000	61,000
Reversals	-	-
Interest cost	-	-
Current service cost	2,982,243	21,048
Actual employer benefit payments	(3,083,000)	(61,000)
Actuarial loss/ (gain) recognised in the year	-	-
Balance at end of year	<u>2,982,243</u>	<u>21,048</u>

Current Portion of Non-Current Provisions:

Staff Benefit Provisions:

	Leave Provision R	Long-term Service R
30 June 2020		
Opening Balance	17,026,502	2,528,401
Increases	3,168,263	2,723,765
Payments Made	-	-
Reversals	-	(2,528,401)
Balance at end of year	<u>20,194,765</u>	<u>2,723,765</u>

	Leave Provision R	Long-term Service R
30 June 2019		
Opening Balance	14,966,764	2,003,000
Increases	2,059,738	2,528,401
Payments Made	-	-
Reversals	-	(2,003,000)
Balance at end of year	<u>17,026,502</u>	<u>2,528,401</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Other Operational Provisions:		
	Environmental Cleanup	Decommissioning of Landfill Sites
	R	R
30 June 2020		
Opening Balance	2,000,000	2,793,944
Increases	-	3,547,270
Payments Made	-	-
Reversals	(963,478)	(2,793,944)
Balance at end of year	<u>1,036,522</u>	<u>3,547,270</u>
	Environmental Cleanup	Decommissioning of Landfill Sites
	R	R
30 June 2019		
Opening Balance	500,000	2,670,650
Increases	1,500,000	2,793,944
Payments Made	-	-
Reversals	-	(2,670,650)
Balance at end of year	<u>2,000,000</u>	<u>2,793,944</u>

Environmental Clean-up Illegal dumping of builders and other rubble is taken place throughout the Kouga area to the municipality's property. Contrary to S19A of Environmental Conservation Act, 73 (No 73 of 19 89), the municipality has not cleared the illegal dumping and other rubble. The municipality has accounted for a provision for the cost of clearing of builders and other rubble as required by GRAP 19.

Leave Provision Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Long Service Award Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

15. PAYABLES FROM EXCHANGE TRANSACTIONS

Bonus	-	-
Other Payables	10,646,509	15,855,564
Retentions	3,349,136	2,539,496
Salary Related Payables	816,076	695,462
Trade Creditors	112,202,790	53,335,629
Advance Payments	16,092,821	14,956,402
Total Payables	<u>143,107,331</u>	<u>87,382,553</u>

15.1 Allocation for Cash Flow

Service Charges:-

Advance Payments	1,136,418	-	1,173,049
Control, Clearing and Interface Accounts: Prepaid Electricity	0	-	818,226

Total Payables from Exchange Transactions allocated to Service Charges	<u>1,136,419</u>	<u>(354,822)</u>
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Other Receipts:-

Unallocated Deposits	-	5,445,894	-	259,234
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Total Payables from Exchange Transactions allocated to Other Receipts	<u>(5,445,894)</u>	<u>(259,234)</u>
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Employee Related Costs:-

Bonus	-	86,664
Compensation Commission (COID)	-	11,953,994
Control, Clearing and Interface Accounts: Salary Clearing and Control	1,184,437	978
Leave Accrual	-	-
Long Service Award	12,036,228	131,838
Overtime	-	-
PAYE Deductions	38,380	4,316

Total Payables from Exchange Transactions allocated to Employee Related Costs	<u>1,305,051</u>	<u>223,796</u>
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KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Suppliers Paid:-		
Auditor-General of South Africa	- 43,254	41,654
Bulk Water	- 59,693,978	5,501,574
Control, Clearing and Interface Accounts: Goods Received / Invoives Received	2,364	5,839,846
Control, Clearing and Interface Accounts: Inventory Stores	-	-
Electricity Bulk Purchase	3,192,220	1,366,531
Payables and Accruals	115,412,173	3,579,960
Retentions	809,640	- 203,719
Total Payables from Exchange Transactions allocated to Suppliers Paid	59,679,166	16,125,846
Other Payments:-		
Affiliates, Related Parties and Associated Companies	- 0	- 18,222
Control, Clearing and Interface Accounts: Cash and Bank	- 949,963	949,963
Total Payables from Exchange Transactions allocated to Other Payments	(949,964)	931,742
Total Payables from Exchange Transactions allocated to Cash Flow	55,724,778	16,667,327

16. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Transfers and subsidies	235,741	-
Non-Exchange Receivables with Credit Balances	-	-
Total Payables	235,741	-
16.1 Allocation for Cash Flow		
Other Payments:-		
Payables from Non-exchange Transactions - Opening Balance	-	-
Payables from Non-exchange Transactions - Closing Balance	235,741	-
Total Payables from Non-exchange Transactions allocated to Other Payments	235,741	-
Total Payables from Non-exchange Transactions allocated to Cash Flow	235,741	-

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged.
No interest is charged on outstanding amounts.

17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

National Government	26,927,177	98,082,838
Provincial Government	-	5,362,711
Total Conditional Grants and Receipts	26,927,177	103,445,548
17.1 Allocation for Cash Flow		
Transfers and Subsidies:-		
Unspent Conditional Grants and Receipts - Opening Balance	- 103,445,548	- 6,941,508
Unspent Conditional Grants and Receipts - Closing Balance	26,927,177	103,445,548
Total Unspent Conditional Grants and Receipts allocated to Transfers and Subsidies	- 76,518,371	96,504,040
Total Unspent Conditional Grants and Receipts allocated to Cash Flow	- 76,518,371	96,504,040

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Government and other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
18. LONG-TERM LIABILITIES		
Long-Term Liabilities	16,354,408	25,420,948
Development Bank of South Africa	15,090,289	23,089,162
Finance Lease Liability	1,264,119	2,331,786
Less: Current Portion transferred to Current Liabilities:-	(9,607,597)	(9,066,539)
Development Bank of South Africa	(8,961,975)	(7,998,872)
Finance Lease Liability	(645,622)	(1,067,666)
Non-Current Portion of Long-term Liabilities	6,746,811	16,354,409
18.1 Allocation for Cash Flow		
18.1.1 Current Portion:-		
<i>Movement in Current Portion of Long-term Liabilities:-</i>		
Current Portion of Long-term Liabilities - Opening Balance	(9,066,539)	(8,944,035)
Current Portion of Long-term Liabilities - Closing Balance	9,607,597	9,066,539
Total Movement in Current Portion of Long-term Liabilities	541,058	122,504
Total Short-term Loans allocated to Repayment of Borrowings	541,058	122,504
18.1.2 Non-current Portion:-		
<i>Movement in Non-current Long-term Liabilities:-</i>		
Non-current Long-term Liabilities - Opening Balance	(16,354,409)	(23,600,396)
Non-current Long-term Liabilities - Closing Balance	6,746,811	16,354,409
18.2 Summary of Arrangements		
The fixed term loan is over a period of 10 years was taken up with the Development Bank of Southern Africa to purchase heavy duty vehicles. In terms of the service level agreement, as amended, the loan will be repaid in monthly instalments at a interest rate of 11.18 %.		
The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.		
18.3 Obligations under Borrowings		
Annuity and Bullet Loans	6,128,314	15,090,290
Current Portion transferred to Current Liabilities:-	8,961,975	7,998,872
Total Borrowings	15,090,289	23,089,162

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18.4 Obligations under Leases

The Municipality as Lessee:

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2020	2019	2020	2019
	R	R	R	R
Amounts payable under borrowings:				
Within one year	795,355	1,330,082	645,622	1,067,666
In the second to fifth years, inclusive	662,796	1,458,151	618,493	1,264,123
Over five years	-	-	-	-
	<u>1,458,151</u>	<u>2,788,233</u>	<u>1,264,115</u>	<u>2,331,789</u>
Less: Future Finance Obligations	194,036	456,444		
Present Value of Minimum Lease Obligations	<u>1,264,115</u>	<u>2,331,789</u>	<u>1,264,115</u>	<u>2,331,789</u>
(i) Various photocopier, computers and fax machines			1,264,119	2,331,789
Installments are payable monthly				
Average period outstanding			12month	24month
Average effective interest rate			15.33%	15.33%
Average capital redemption per month over the period leased			52,860	94,437

19. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities

Post-retirement Health Care Benefits Liability
Post-retirement Pension Benefits Liability
Long Service Awards Liability

92,176,876	100,339,109
75,535,567	83,222,393
151,045	179,207
16,490,264	16,937,509

Less: Current Portion of Employee Benefit Liabilities

Post-retirement Health Care Benefits Liability
Post-retirement Pension Benefits Liability
Long Service Awards Liability

5,921,037	5,531,692
3,176,023	2,982,243
21,249	21,048
2,723,765	2,528,401

Non-Current Portion of Employee Benefit Liabilities

<u>86,255,839</u>	<u>94,807,417</u>
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19.1 Allocation for Cash Flow

Employee Benefit Liabilities at Beginning of Year

Long-service Awards
Medical
Pension

94,807,417	96,300,999
14,409,108	12,289,000
80,240,150	83,296,999
158,159	715,000

Movement in Non-cash Transactions:-

Long-service Awards
Post Retirement Health Care
Post Retirement Pension

1,885,792	4,123,108
(4,704,583)	(74,606)
(7,114)	(535,793)

Total Employee Benefit Liabilities allocated to Non-cash Transactions

<u>(2,825,905)</u>	<u>3,512,709</u>
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KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
<i>Movement in Employee Related Costs:-</i>		
Long-service Awards: Reductions (Outflow of Economic Benefits)	(2,528,401)	(2,003,000)
Post Retirement Health Care: Actual employer benefit payments	(2,982,243)	(3,083,000)
Defined Benefit Obligations: Actual Benefit Payments	-	-
Total Employee Benefit Liabilities allocated to Employee Related Costs	<u>(5,510,644)</u>	<u>(5,086,000)</u>
<i>Employee Benefit Liabilities at End of Year</i>	<u>86,470,868</u>	<u>94,727,708</u>

19.2 Post-retirement Health Care Benefits Liability

Opening balance	83,222,393	86,379,999
Interest cost	7,767,684	-
Current service cost	3,821,493	(74,606)
Actual employer benefit payments	(2,982,243)	(3,083,000)
Actuarial loss/ (gain) recognised in the year	(16,293,760)	-
Balance at end of Year	<u>75,535,567</u>	<u>83,222,393</u>
Transfer to Current Provisions	3,176,023	2,982,243
Total Post-retirement Health Care Benefits Liability	<u>72,359,544</u>	<u>80,240,150</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by One Pangaea Expertise & Solutions. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	438	416
In-service Non-members (Employees)	-	-
Continuation Members (Retirees, widowers and orphans)	71	69
Total Members	<u>509</u>	<u>485</u>

The liability in respect of past service has been estimated as follows:

In-service Members	36,187,184	42,352,442
In-service Non-members	-	-
Continuation Members	39,348,384	40,869,951
Total Liability	<u>75,535,567</u>	<u>83,222,393</u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The Current-service Cost for the year ending 30 June 2020 is estimated to be R3,821,493, whereas the cost for the ensuing year is estimated to be R3,821,493 (30 June 2019: R4,029,000 and R3,821,493 respectively).

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	13.69%	9.50%
Health Care Cost Inflation Rate	9.41%	6.92%
Net Effective Discount Rate	3.91%	2.41%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening balance	83,222,393	86,379,999
Interest cost	7,767,684	8,306,000
Current service cost	3,821,493	4,029,000
Actual employer benefit payments	-	-
Benefits paid	(2,982,243)	(3,083,000)
Actuarial losses / (gains)	(16,293,760)	(12,409,606)

Total Recognised Benefit Liability

75,535,567	83,222,393
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	75,535,567	83,222,393
Fair value of plan assets	-	-
	75,535,567	83,222,393
Present value of unfunded obligations	-	-
	75,535,567	83,222,393
Unfunded Accrued Liability	75,535,567	83,222,393
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-

Total Benefit Liability

75,535,567	83,222,393
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	3,821,493	8,306,000
Interest cost	7,767,684	4,029,000
Actuarial losses / (gains)	(16,293,760)	(12,409,606)

Total Post-retirement Benefit included in Employee Related Costs (Note 31.)

(4,704,583)	(74,606)
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The history of fair values are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Present Value of Defined Benefit Obligation	75,535,567	83,222,393	86,379,999	82,973,999	80,918,999
Fair Value of Plan Assets	-	-	-	-	-
Deficit	75,535,567	83,222,393	86,379,999	82,973,999	80,918,999

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	15,565,243	14,731,000
Effect on the defined benefit obligation	86,136,671	97,574,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	11,755,460	10,427,000
Effect on the defined benefit obligation	66,738,349	71,736,000

The municipality expects to make a contribution of R3,395,000 (2019: R3,744,000) to the Defined Benefit Plans during the next financial year.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Refer to Note 49., "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

19.3 Post-retirement Pension Benefits Liability

Opening balance	179,207	776,000
Interest cost	13,021	71,000
Actual employer benefit payments	(21,048)	(61,000)
Actuarial loss/ (gain) recognised in the year	(20,135)	(606,793)
Balance at end of Year	<u>151,045</u>	<u>179,207</u>
Transfer to Current Provisions	21,249	21,048
Total Post-retirement Pension Benefits Liability	<u>129,796</u>	<u>158,159</u>

The municipality provides certain post - retirement pension benefits to certain retired employees of the municipality. According to the rules of the pension fund, with which the municipality is associated, a member (which is on the current Conditions of Service) on retirement, is entitled to certain pension benefits in which case the municipality is liable for pension payments to retired members for the remainder of their lives.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 One Pangaea Expertise and Solutions a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.41%	7.71%
Health Care Cost Inflation Rate	2.57%	4.09%
Net Effective Discount Rate	4.72%	3.48%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening balance	158,159	715,000
Interest cost	13,021	71,000
Current service cost	(21,249)	(21,048)
Actual employer benefit payments	-	-
Actuarial loss/ (gain) recognised in the year	(20,135)	(606,793)
Actuarial losses / (gains)	-	-
Total Recognised Benefit Liability	<u>129,796</u>	<u>158,159</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	129,796	158,159
Total Benefit Liability	<u>129,796</u>	<u>158,159</u>
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	13,021	71,000
Actuarial losses / (gains)	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note)	<u>13,021</u>	<u>71,000</u>

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The history of experienced adjustments is as follows:

	2020	2019	2018	2017	2016
	R	R	R	R	R
Present Value of Defined Benefit Obligation	129,796	158,159	715,000	742,000	924,000
Deficit	<u>129,796</u>	<u>158,159</u>	<u>715,000</u>	<u>742,000</u>	<u>924,000</u>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	11,186	69,000
Effect on the defined benefit obligation	143,637	170,228

Decrease:

Effect on the aggregate of the current service cost and the interest cost	9,528	68,000
Effect on the defined benefit obligation	159,265	189,204

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
19.4 Long Service Awards Liability		
Opening Balance	16,937,509	14,292,000
Increases	3,072,003	4,648,509
Payments Made	(2,528,401)	(2,003,000)
Other Reductions	(990,847)	-
Balance at end of Year	<u>16,490,264</u>	<u>16,937,509</u>
Transfer to Current Provisions	2,723,765	2,528,401
Total Long Service Awards Liability	<u>13,766,499</u>	<u>14,409,108</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by One Pangaea Expertise and Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 852 (2019: 857) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2020 is estimated to be R0, whereas the cost for the ensuing year is estimated to be R3,821,493 (30 June 2019: R0 and R0 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.73%	8.03%
Cost Inflation Rate	4.57%	5.49%
Net Effective Discount Rate	3.94%	2.41%
Expected Rate of Salary Increase	6.25%	6.50%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening Balance	16,937,509	14,292,000
Interest cost	-	-
Current service cost	(2,723,765)	-
Actuarial loss/ (gain) recognised in the year	4,804,921	4,648,509
Benefits paid	(2,528,401)	(2,003,000)
Total Recognised Benefit Liability	<u>16,490,264</u>	<u>16,937,509</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	16,490,264	16,937,509
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Unfunded Accrued Liability	16,490,264	16,937,509
Total Benefit Liability	<u>16,490,264</u>	<u>16,937,509</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	5,795,768	4,648,509
Interest cost	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note 31.)	<u>5,795,768</u>	<u>4,648,509</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The history of experienced adjustments is as follows:

	2020 R	2019 R	2018 R	2017 R
Present Value of Defined Benefit Obligation	16,490,264	16,937,509	14,292,000	13,110,000
Deficit	16,490,264	16,937,509	14,292,000	13,110,000

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

	R	R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	3,117,863	2,398,000
Effect on the defined benefit obligation	15,692,185	16,034,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	3,164,217	2,399,000
Effect on the defined benefit obligation	17,371,225	17,944,000

The municipality expects to make a contribution of R2 723 765 (2019: R5,795,768) to the defined benefit plans during the next financial year.

20. NON-CURRENT PROVISIONS

Decommissioning, Restoration and Similar Liabilities: Landfill Sites	72,316,640	68,585,204
Decommissioning, Restoration and Similar Liabilities:Non-specific	-	52,200

Total Non-current Provisions	72,316,640	68,637,404
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20.1 Allocation for Cash Flow

Non-current Provisions at Beginning of Year	68,637,404	65,679,934
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Movement in Non-cash Transactions:-

Decommissioning, Restoration and Similar Liabilities	3,731,436	2,957,470
Decommissioning, Restoration and Similar Liabilities:Non-specific	(52,200)	-

Non-current Provisions at End of Year	72,316,640	68,637,404
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	Decommissioning of Non-Specific R	Decommissioning of Landfill Sites R
30 June 2020		
Opening Balance	52,200	68,585,204
Finance Charges	-	3,211,375
Payments Made	(52,200)	-
Increases (Passage of Time/Discounted Rate)	-	520,061
Balance at end of year	-	72,316,640

	Decommissioning of Non-Specific R	Decommissioning of Landfill Sites R
30 June 2019		
Opening Balance	52,200	65,627,734
Finance Charges	-	3,141,024
Other Reductinos	-	(183,554)
Balance at end of year	52,200	68,585,204

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
21. ACCUMULATED SURPLUS		
Accumulated Surplus / (Deficit) due to the results of Operations	2,213,698,943	2,190,141,228
Total Accumulated Surplus	2,213,698,943	2,190,141,228

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

22. PROPERTY RATES

	Actual Levies	
	July 2020 R000's	July 2019 R000's
Property Rates:		
Property Rates Levies	197,544,135.51	184,331,307.76
Total Property Rates	197,544,136	184,331,308

22.1 Calculation of Cash Flow:

Property Rates Income	Note 22.	197,544,136	184,331,308
Non-exchange Interest Earned	Note 29.1	1,649,323	1,325,934
Cash Flow from Non-exchange Receivables	Note 4.1	(7,765,424)	(2,303,609)
Total Receipts for Property Rates		191,428,034	183,353,633

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2018.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,0078 c/R (2018/19: 0,0072 c/R)
Business Properties: 0,0081 c/R (2018/19: 0,0075 c/R)
Agricultural Properties: 0,0020 c/R (2018/19: 0,0018 c/R)

A Rebate of R15,000 is received on all residential properties, private towns receives an additional 20% on property valuation and equitable share recipients receives an additional R85,000 rebate on property value.

23. FINES, PENALTIES AND FORFEITS

Traffic Fines:	20,110,864	20,856,720
Municipal	(186,010)	4,221,605
Service Provider	20,296,873	16,635,116
Other Fines:	277,421	477,063
Building	216,812	311,014
Overdue Books Fine	1,609	2,049
Pound Fees	59,000	164,000
Total Fines, Penalties and Forfeits	20,388,284	21,333,783

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		R	R
24. LICENCES AND PERMITS			
Boat		4,535,150	3,928,170
Health Certificates		5,740	5,980
Road and Transport:		6,323,486	11,693,690
Drivers Licence Application/Duplicate Drivers Licences		2,593,358	3,235,822
Drivers Licence Certificate		34,674	4,336,184
Learners Certificate		700,477	1,177,061
Motor Vehicle Licence		2,251,824	1,970,432
Operators and Public Drivers Permits		743,153	974,192
Trading		202,124	164,947
Total Licences and Permits		11,066,499	15,792,788
25. TRANSFERS AND SUBSIDIES RECEIVED			
Capital Grants		126,693,735	94,020,455
Monetary Allocations		126,359,845	94,020,455
Operational Grants		134,340,859	122,879,370
Monetary Allocations		134,340,859	122,879,370
Total Transfers and Subsidies Received		261,034,594	216,899,825
25.1 Allocation for Cash Flow:			
Transfers and Subsidies Received	Note 25.	261,034,594	216,899,825
Total Transfers and Subsidies Received allocated to Cash Flow		261,034,594	216,899,825
25.2 Calculation of Cash Flow:			
Government Grants and Subsidies Income	Note 25.1	261,034,594	216,899,825
Cash Flow from Unspent Government Grants	Note 17.1	(76,518,371)	96,504,040
Total Receipts for Government Grants and Subsidies		184,516,223	313,403,865
25.3 Summary of Grants:			
25.3.1 Capital Grants			
		Monetary Allocations	
		2020	2019
District Municipalities		713,585	983,093
National Governments		125,646,260	93,037,362
Total Capital Grants Received		126,359,845	94,020,455
25.3.2 Operational Grants			
		Monetary Allocations	
		2020	2019
District Municipalities		2,619,200	3,332,186
National Governments		4,669,401	4,346,184
National Revenue Fund		124,938,000	113,151,000
Provincial Government		2,114,259	2,050,000
Total Operational Grants Received		134,340,859	122,879,370

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
25.3.3 Equitable Share		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	124,938,000	113,151,000
Transferred to Revenue	(124,938,000)	(113,151,000)
Unspent Balance at the End of the Year	-	-

In terms of the Constitution, the grant is used to subsidise the provision of basic services to indigent community members. This grant is unconditional.

25.3.4 National: EPWP Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1,000,000	1,013,000
Conditions Met - Transferred to Revenue	(1,000,000)	(1,013,000)
Unspent Balance at the End of the Year	-	-

The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects. No funds has been withheld.

25.3.5 National: FMG Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1,770,000	1,770,000
Transferred to Revenue	(1,770,000)	(1,770,000)
Unspent Balance at the End of the Year	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

25.3.6 National: MIG Funds

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	37,996,000	31,186,000
Conditions Met - Transferred to Revenue	(25,490,006)	(31,186,000)
Unspent Balance at the End of the Year	12,505,994	-

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

25.3.7 National: WSIG Funds

Unspent Balance at the Beginning of the Year	98,017,338	-
Current Year Receipts	10,000,000	151,228,000
Conditions Met - Transferred to Revenue	(93,701,658)	(53,210,662)
Unspent Balance at the End of the Year	14,315,680	98,017,338

The Water Services Infrastructure Grant is allocated to municipalities to assist in drought relief.

25.3.8 National: Department of economic development

Unspent Balance at the Beginning of the Year	65,500	65,500
Current Year Receipts	-	-
Transferred to Revenue	-	-
Unspent Balance at the End of the Year	65,500	65,500

No funds have been withheld.

25.3.9 Intergrated National Electrification Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	3,202,000	10,200,000
Conditions Met - Transferred to Revenue	(3,202,000)	(10,200,000)
Unspent Balance at the End of the Year	-	-

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
25.3.10 Energy Efficiency Grant		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	4,000,000	-
Conditions Met - Transferred to Revenue	(3,959,997)	-
Unspent Balance at the End of the Year	40,003	-

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

25.3.11 Disaster Grant

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1,192,000	1,090,000
Transferred to Revenue	(1,192,000)	(1,090,000)
Unspent Balance at the End of the Year	-	-

This is an unconditional grant and was received from Sarah Baartman District Municipality.

The is the Greenest Municipality Award is to assist KOUGA Municipality to comply with the NEMA legislation as well as practically introducing and sustaining projects that aims to conserve and protect the environment.

26.4.13 Provincial: Department Human Settlement (Houses)

Balance unspent at the beginning of the year	5,362,710	6,876,008
Current year receipts	868,905	1,206,273
Conditions met - transferred to Revenue: Operating Expenses	-6,231,615	-2,719,571
Conditions still to be met - transferred to Liabilities	0	5,362,710

This grant is for the building of low cost housing. The municipality is only the agent of the department of Human Settlement for the constructoin of low cost houses. No funds have been withheld.

26. SERVICE CHARGES

Sale of Electricity	245,438,346	242,848,390
Sale of Water	73,768,737	75,590,711
Refuse Removal	51,351,251	50,819,126
Sewerage and Sanitation Charges	49,950,667	44,022,707
Total Service Charges	420,509,001	413,280,935

26.1 Calculation of Cash Flow:

Service Charges Income	Note 26.	420,509,001	413,280,935
Exchange Interest Earned	Note 29.1	6,926,805	6,962,074
Cash Flow from Exchange Receivables	Note 3.1	(10,579,816)	(21,345,634)
Cash Flow from Consumer Deposits	Note 13.1	364,903	1,094,348
Cash Flow from Exchange Payables	Note 15.1	1,136,419	(354,822)
Exchange Receivables: Amounts written-off as uncollectable	Note 3.3.1	(27,074,824)	(6,854,892)
Bad Debt Written-off	Note 34.4	- 40,374,879	- 7,715,986
Total Receipts for Service Charges		350,907,608	385,066,022

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
27. SALES OF GOODS AND RENDERING OF SERVICES		
Application Fees for Land Usage	601,929	428,178
Building Plan Approval	2,336,905	2,352,796
Camping Fees	1,986,091	2,050,842
Cemetery and Burial	365,039	322,105
Cleaning and Removal	6,128	2,631
Encroachment Fees	5,957	14,313
Fire Services	20,442	17,634
Legal Fees	544,029.00	182,591
Other Revenue - Unidentified Deposits	4,594,415	-
Photocopies and Faxes	76,579	67,508
Removal of Restrictions	321,879	248,770
Sale of Goods	36,478	71,478
Scrap, Waste & Other Goods	-	765
Town Planning and Servitudes	5,530	79,276
Valuation Services	208,887	332,125
Total Sales of Goods and Rendering of Services	11,110,286	6,171,011
28. RENTAL FROM FIXED ASSETS		
Straight-lined Operating Lease Revenue		
Investment Property	-	-
Other Fixed Assets:	697,437	609,214
Property Plant and Equipment	697,437	609,214
Total Rental of Facilities and Equipment	697,437	609,214
Rental income generated are at market related premiums. All rental income recognised is therefore market related.		
29. INTEREST, DIVIDENDS AND RENT ON LAND EARNED		
Non-exchange Receivables:		
Outstanding Billing Debtors	1,649,323	1,325,934
Total Non-exchange Interest, Dividends and Rent on Land Earned	1,649,323	1,325,934
External Investments:		
Bank Account	1,187,596	2,034,071
Investments	10,469,623	9,912,622
	11,657,220	11,946,693
Outstanding Exchange Receivables:		
Outstanding Billing Debtors	6,926,805	6,962,074
Electricity	749,081	410,154
Service Charges	67,973	68,823
Waste Management	2,251,788	2,366,575
Waste Water Management	1,234,385	1,299,326
Water	2,623,578	2,817,196
	6,926,805	6,962,074
Total Exchange Interest, Dividends and Rent on Land Earned	18,584,025	18,908,767
Total Interest, Dividends and Rent on Land Earned	20,233,348	20,234,700

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		R	R
29.1 Allocation for Cash Flow:			
Property Rates:-			
Interest on Outstanding Non-exchange Receivables		1,649,323	1,325,934
Total Interest, Dividends and Rent on Land Earned allocated to Property Rates		<u>1,649,323</u>	<u>1,325,934</u>
Service Charges:-			
Interest on Outstanding Exchange Receivables		6,926,805	6,962,074
Total Interest, Dividends and Rent on Land Earned allocated to Service Charges		<u>6,926,805</u>	<u>6,962,074</u>
External Interest and Dividends Received:-			
Interest on External Investments		11,657,220	11,946,693
Total Interest, Dividends and Rent on Land Earned allocated to External Interest and Dividends Received		<u>11,657,220</u>	<u>11,946,693</u>
Total External Interest and Dividends Received allocated to Cash Flow		<u>20,233,348</u>	<u>20,234,700</u>
29.2 Calculation of Cash Flow:			
External Interest and Dividends Income		11,657,220	11,946,693
Total Receipts for Interest and Dividends Received		<u>11,657,220</u>	<u>11,946,693</u>
30. OPERATIONAL REVENUE			
Commission		499,644	462,009
Insurance Refund		2,581,454	(230,171)
Skills Development Levy Refund		581,983	1,203,801
Staff Recoveries		3,623	18,485
Total Operational Revenue		<u>3,666,703</u>	<u>1,454,124</u>
30.1 Calculation of Cash Flow:			
Income from Operational Revenue	Note 30.	3,666,703	1,454,124
Income from Rental from Fixed Assets	Note 28.	697,437	609,214
Income from Sales of Goods and Rendering of Services	Note 27.	11,110,286	6,171,011
Income from Surcharges and Taxes	Note 26.	-	-
Income from Licences and Permits	Note 24.	11,066,499	15,792,788
Income from Fines, Penalties and Forfeits	Note 23.	20,388,284	21,333,783
Cash Flow from Exchange Receivables	Note 3.1	10,905	7,168
Cash Flow from Non-exchange Receivables	Note 4.1	21,549,260	15,037,005
Cash Flow from Operating Lease Receivables	Note 7.1	63,078	34,759
Cash Flow from Consumer Deposits	Note 13.1	332,839	1,042,906
Cash Flow from Exchange Payables	Note 15.1	- 5,445,894	- 259,234
Correction of Prior Year Errors	Note 21.1	-	1,379,424
Total Receipts for Other Revenue		<u>63,439,397</u>	<u>32,528,938</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 22 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		R	R
31. EMPLOYEE RELATED COSTS			
Salaries and Wages:			
Basic		182,066,646	165,865,539
Long Service Awards		1,207,991	946,433
Bonusses		511,524	1,076,466
Leave Payments		1,221,247	1,590,718
Overtime		27,333,706	26,376,406
Allowances:			
Accommodation, Travel and Incidental		-	-
Acting and Post Related Allowances		1,198,745	1,043,282
Bonus Allowance		13,388,228	12,116,643
Cellular and Telephone		5,559	7,500
Housing Benefits		856,667	952,831
Standby Allowance		7,395,340	6,117,348
Travel or Motor Vehicle		9,389,730	7,775,698
Uniform/Special/Protective Clothing		-	-
Social Contributions:			
Bargaining Council		1,577,147	1,664,295
Group Life Insurance		6,530,382	5,762,048
Medical		15,799,761	14,432,761
Pension		28,654,661	26,001,803
Unemployment Insurance		1,564,669	1,477,783
Post-retirement Benefits:			
Current Service Cost		-	4,029,000
Interest Cost		7,780,705	8,377,000
Actuarial Gains and Losses		(16,313,895)	(13,016,399)
Past Service Cost		3,821,493	(3,144,000)
Defined Contribution Fund Expenses		(3,003,291)	-
Leave Gratuity		3,168,263	2,059,738
Long Term Service Awards		(447,245)	2,645,509
Less: Employee Costs allocated to Property, Plant and Equipment		-	-
Total Employee Related Costs		293,708,033	274,158,400
31.1 Allocation for Cash Flow:			
Employee Related Costs	Note 31.	293,708,033	274,158,400
Adjustment for Non-cash Transactions:		(636,124)	(7,174,314)
Provisions and Non-current Provisions:-		(3,266,665)	(3,136,204)
<i>Performance Bonus</i>		(98,403)	(1,076,466)
<i>Ex-gratia Pension</i>		-	-
<i>Leave</i>		(3,168,263)	(2,059,738)
<i>Pension Fund Investment Return Shortfall</i>		-	-
Employee Benefit Liabilities:-		2,630,541	(4,038,110)
<i>Long-service Awards</i>		(2,081,156)	(4,648,509)
<i>Medical</i>		4,704,583	74,606
<i>Pension</i>		7,114	535,793
Total Employee Related Costs allocated to Cash Flow		293,071,908	266,984,086
31.2 Calculation of Cash Flow:			
Employee Related Costs Expenditure	Note 31.1	293,071,908	266,984,086
Cash Flow from Provisions	Note 14.1	3,003,291	3,144,000
Cash Flow from Exchange Payables	Note 15.1	(1,305,051)	(223,796)
Cash Flow from Employee Benefit Liabilities	Note 19.1	5,510,644	5,086,000
Total Payments for Employee Related Costs		300,280,792	274,990,290

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
31.3 Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager: C Du Plessis</i>		
Annual Remuneration	1,415,803	1,374,625
Car and Other Allowances	97,097	117,929
Company Contributions to UIF, Medical and Pension Funds	17,911	19,919
Total	1,530,811	1,512,473
<i>Remuneration of the Chief Financial Officer: S Thys (1 July 2019 - 31 December 2019)</i>		
Annual Remuneration	695,253	1,283,246
Car and Other Allowances	329,813	111,583
Company Contributions to UIF, Medical and Pension Funds	11,187	19,142
Total	1,036,253	1,413,971
<i>Remuneration of the Chief Financial Officer: R Lorgat (1 April - 30 June 2020)</i>		
Annual Remuneration	280,317	-
Car and Other Allowances	32,397	-
Company Contributions to UIF, Medical and Pension Funds	3,936	-
Total	316,650	-
<i>Remuneration of the Director: Community Services - N Machalesi</i>		
Annual Remuneration	1,061,269	1,027,460
Car and Other Allowances	228,372	203,806
Company Contributions to UIF, Medical and Pension Funds	16,350	17,650
Total	1,305,992	1,248,917
<i>Remuneration of Director: Infrastructure and Engineering - V Felton</i>		
Annual Remuneration	1,145,269	1,111,460
Car and Other Allowances	317,483	119,588
Company Contributions to UIF, Medical and Pension Funds	16,921	16,774
Total	1,479,673	1,247,822
<i>Remuneration of Director: Corporate Services - K Moodley</i>		
Annual Remuneration	1,145,269	1,111,460
Car and Other Allowances	188,431	119,545
Company Contributions to UIF, Medical and Pension Funds	16,953	17,190
Total	1,350,653	1,248,195
<i>Remuneration of Director: Planning, Development and Tourism - F Mabusela</i>		
Annual Remuneration	1,061,269	1,027,460
Car and Other Allowances	207,891	248,187
Company Contributions to UIF, Medical and Pension Funds	16,011	18,607
Total	1,285,171	1,294,253
Summary of Remuneration of Section 57 Employees:		
All Managers	7,988,552	7,965,631
Total Remuneration of Section 57 Employees	7,988,552	7,965,631
32. REMUNERATION OF COUNCILLORS		
Executive Mayor	893,853	731,462
Speaker	715,079	580,894
Executive Committee Members	4,022,282	2,678,819
Total for All Other Councillors	7,244,864	8,210,992
Total Councillors' Remuneration	12,876,077	12,202,166
32.1 Calculation of Cash Flow:		
Remuneration of Councillors Expenditure	Note 32. 12,876,077	12,202,166
Total Payments for Employee Related Costs	12,876,077	12,202,166
Remuneration of Councillors:		
<i>In-kind Benefits</i>		
The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the municipality.		

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
33. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	76,816,509	75,515,934
Amortisation: Intangible Assets	117,052	124,186
Total Depreciation and Amortisation	76,933,561	75,640,120
34. IMPAIRMENT LOSSES		
Impairment Losses on Fixed Assets	162,199	-
Impairment Losses on Financial Assets	75,352,116	45,795,529
Fair Value Adjustment	(56,653)	(31,488)
Total Impairment Losses	75,457,662	45,764,042
34.1 Impairment Losses on Fixed Assets		
Impairment Losses	162,199	-
Property, Plant and Equipment	162,199	-
	162,199	-
		(879,000.00)
34.2 Impairment Losses on Financial Assets		
Impairment Losses	21,723,438	23,347,147
Other Receivables from Non-exchange Revenue	(9,768,636)	12,683,546
Trade and Other Receivables from Exchange Transactions	31,492,073	10,663,601
Bad Debts Written Off	40,431,532	7,747,474
Reversal of Impairment Losses	13,197,146	14,700,908
Other Receivables from Non-exchange Revenue	-	-
Trade and Other Receivables from Exchange Transactions	13,197,146	14,700,908
	75,352,116	45,795,529
34.3 Fair Value Adjustment		
Inventory	(56,653)	(31,488)
	(56,653)	(31,488)
34.4 Allocation for Cash Flow:		
Impairment Losses	75,457,662	45,764,042
Adjustment for Non-cash Transactions:	(35,082,782)	(38,048,056)
Impairment Losses on Fixed Assets	(162,199)	-
Impairment Losses on Financial Assets (excluding Bad Debts Written-off)	(34,920,584)	(38,048,056)
Total Impairment Losses allocated to Service Charges	40,374,879	7,715,986

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
35. INTEREST, DIVIDENDS AND RENT ON LAND PAID		
Interest Paid:	5,714,358	6,637,780
Borrowings	2,201,127	3,020,625
Finance Leases	262,416	422,482
Interest costs non-current Provisions	3,211,375	3,141,024
Overdue Accounts	39,440	53,650
Total Interest Expense	5,714,358	6,637,780
Total Interest, Dividends and Rent on Land Paid	5,714,358	6,637,780
35.1 Allocation for Cash Flow:		
Non-cash Transactions:-		
Interest Paid	3,211,375	3,141,024
Interest costs non-current Provisions	3,211,375	3,141,024
Total Interest, Dividends and Rent on Land Paid allocated to Non-cash Transactions	3,211,375	3,141,024
External Interest and Dividends Paid:-		
Dividends Paid	-	-
Interest Paid	2,502,983	3,496,757
Amounts included in the Cost of qualifying Assets	-	-
Total Interest, Dividends and Rent on Land Paid allocated to External Interest and Dividends Paid	2,502,983	3,496,757
Total External Interest and Dividends Paid allocated to Cash Flow	5,714,358	6,637,780
35.2 Calculation of Cash Flow:		
Interest, Dividends and Rent on Land Paid Expenditure	2,502,983	3,496,757
Total Payments for External Interest and Dividends Paid	2,502,983	3,496,757
36. BULK PURCHASES		
Electricity	231,511,535	198,587,027
Water	33,017,786	35,940,380
Total Bulk Purchases	264,529,320	234,527,407
37. CONTRACTED SERVICES		
Outsourced Services	16,011,719	14,341,743
Consultants and Professional Services	12,341,781	11,757,972
Contractors	42,506,723	36,593,975
Total Contracted Services	70,860,223	62,693,690
37.1 Outsourced Services		
Animal Care	350,000	252,644
Burial Services	176,170	68,100
Business and Advisory	9,279,441	8,003,170
Catering Services	256,708	380,194
Cleaning Services	127,565	16,000
Clearing and Grass Cutting Services	513,959	-
Drivers Licence Cards	513,105	719,467
Illegal Dumping	-	6,957
Internal Auditors	27,074	162,928
Litter Picking and Street Cleaning	581,400	1,396,380
Medical Services [Medical Health Services & Support]	490,881	444,612
Personnel and Labour	1,892,383	-
Professional Staff	19,690	578,509
Refuse Removal	-	1,500
Security Services	1,650,029	1,030,799
Traffic Fines Management	77,402	1,174,493
Transport Services	55,912	105,989
	16,011,719	14,341,743

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		R	R
37.2 Consultants and Professional Services			
Business and Advisory		4,306,172	4,532,073
Infrastructure and Planning		1,394,008	1,066,000
Laboratory Services		521,573	662,321
Legal Cost		6,120,027	5,497,579
		12,341,781	11,757,972
37.3 Contractors			
Artists and Performers		112,500	150,000
Auctioneers		-	7,832
Catering Services		1,093	2,000
Employee Wellness		138,922	188,963
Interior Decorator		-	10,564
Maintenance of Buildings and Facilities		5,344,849	7,213,609
Maintenance of Equipment		349,197	489,124
Maintenance of Computer Software		36,524,056	28,442,883
Medical Services		1,057	19,800
Pest Control and Fumigation		35,049	30,400
Transportation		-	38,800
		42,506,723	36,593,975
38. INVENTORY CONSUMED			
Consumables		7,987,447	7,999,136
Materials and Supplies		32,138,028	19,382,263
		40,125,475	27,381,399
38.1 Calculation of Cash Flow:			
Expenditure for Inventory Consumed	Note 38.	40,125,475	27,381,399
Expenditure for Contracted Services	Note 37.	70,860,223	62,693,690
Expenditure for Bulk Purchases	Note 36.	264,529,320	234,527,407
Cash Flow from Inventories	Note 2.1	431,879	2,583,176
Cash Flow from Exchange Receivables	Note 3.1	(1,172,284)	2,452,173
Cash Flow from Property, Plant and Equipment	Note 9.1	40,364,527	22,565,974
Cash Flow from Exchange Payables	Note 15.1	(59,679,166)	(16,125,846)
Cash Flow from Non-current Provisions	Note 20.1	52,200	-
Total for Suppliers Paid		355,512,174	336,077,974
39. TRANSFERS AND SUBSIDIES PAID			
Operational Grants		250,000	-
Monetary Allocations		250,000	-
Total Transfers and Subsidies Paid		250,000	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
40. OPERATING LEASES		
Furniture and Office Equipment	2,571,933	5,783,199
Machinery and Equipment	24,017	107,047
Other Assets	4,103,789	3,620,131
Total for Operating Leases	6,699,738	9,510,378
The Municipality as Lessee:		
Operating leases relate to Property, Plant and Equipment with lease terms not longer than 5 years		
Amount payable under Operating Leases		
All the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plan and Equipment, which fall due as follows:		
Other Equipment:		
Up to 1 year	6,721,165	9,510,378
2 to 5 years		
More than 5 years		
Total Operating Lease Arrangements	6,721,165	9,510,378
The following payments have been recognised as an expense in the Statement of Finance Performance		
Minimum lease payments	6,721,165	9,510,378
Total Operating Lease Expenses	6,721,165	9,510,378
41. OPERATIONAL COSTS		
Included in General Expenses are the following:		
Achievements and Awards	1,125,234	823,472
Advertising, Publicity and Marketing	1,208,434	842,745
Assets less than the Capitalisation Threshold	-	4,207,680
Bank Charges, Facility and Card Fees	1,454,356	2,055,856
Bargaining Council	2,765,653	2,581,700
Commission	4,456,481	5,229,305
Communication	2,566,490	2,640,617
Contribution to Provisions	(930,978)	1,540,000
Courier and Delivery Services	450	52
External Audit Fees	4,996,934	4,412,076
External Computer Service	5,700,665	5,857,285
Firearm Handling Fees	31,936	-
Hire Charges	26,102,397	15,218,235
Insurance Underwriting	5,035,321	2,546,605
Licences	584,955	646,154
Management Fee	4,516,187	5,784,917
Municipal Services	-	4,477,544
Printing, Publications and Books	734,296	865,399
Professional Bodies, Membership and Subscription	1,637	15,625
Registration Fees	2,178,538	1,453,752
Remuneration to Ward Committees	2,696,498	2,407,538
Resettlement Cost	56,800	198,261
Samples and Specimens	64,973	8,202
Search Fees	72,636	71,453
Signage	250,939	330,548
Skills Development Fund Levy	1,600,975	1,687,995
Storage of Files (Archiving)	1,194,442	-
Travel and Subsistence	1,564,614	2,045,503
Uniform and Protective Clothing	2,138,545	2,057,843
Vehicle Tracking	619,787	584,079
Workmen's Compensation Fund	1,031,359	896,821
Total Operational Costs	73,820,555	71,487,261

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		R	R
41.1 Calculation of Cash Flow:			
Expenditure for Operational Costs	Note 41.	73,820,555	71,487,261
Expenditure for Operating Leases	Note 40.	6,699,738	9,510,378
Expenditure for Transfers and Subsidies Paid	Note 39.	250,000	-
Cash Flow from Exchange Payables	Note 15.1	949,964	(931,742)
Cash Flow from Non-exchange Payables	Note 16.1	(235,741)	-
Reversal of Non-Cash Movements		(3,292,153)	(4,012,900)
Total for Other Payments		<u>78,192,362</u>	<u>76,052,997</u>

41.2 Travel and Subsistence

Domestic		1,341,813	1,551,186
Accommodation		422,612	350,645
Daily Allowance		44,352	19,137
Food and Beverage (Served)		206,296	203,909
Transport without Operator		520,342	808,300
Transport with Operator		148,211	169,195
Foreign		83,383	261,538
Accommodation		6,333	10,816
Daily Allowance		77,050	250,722
Non-employees		139,418	232,779
		<u>1,564,614</u>	<u>2,045,503</u>

No other extra-ordinary expenses were incurred.

42. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Investment Property	-	-
Property, Plant and Equipment	(1,717,571)	(750,454)
Total Gains on Disposal of Capital Assets	<u>-</u>	<u>-</u>
Total Losses on Disposal of Capital Assets	<u>1,717,571</u>	<u>750,454</u>

42.1 Allocation for Cash Flow:

Disposal of Property, Plant and Equipment:			
Gains on Disposal of Capital Assets	Note 42.	-	-
Losses on Disposal of Capital Assets	Note 42.	(1,717,571)	(750,454)
Total Gains on Disposal of Capital Assets allocated to Property, Plant and Equipment		<u>(1,717,571)</u>	<u>(750,454)</u>
Total Gains / (Losses) on Disposal of Capital Assets allocated to Cash Flow		<u>(1,717,571)</u>	<u>(750,454)</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
43. CORRECTION OF ERROR		
43.1 Reclassification of Accumulated Surplus		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
The effect of the changes are as follows:		
		Accumulated Surplus
Balance published as at 30 June 2018		2,131,472,850
Correction of Error:-		(686,213)
Adjustment for Carrying Value of Vehicles Written Off	(686,213)	
Restated Balance as at 30 June 2018		2,130,786,637
Transactions incurred for the Year 2018/19		59,138,892
Balances previously published per AFS as at 30 June 2019		2,189,925,528
Correction of Error:-		215,699
Adjustment for Depreciation of Vehicles Written Off	215,699	
Restated Balances as at 30 June 2019		2,190,141,228

43.2 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Correction of Error	Restated Amount 2018/19
Property Rates	184,331,308	-	184,331,308
Fines, Penalties and Forfeits	21,333,783	-	21,333,783
Licences and Permits - Non-exchange	15,792,788	-	15,792,788
Transfers and Subsidies	216,899,825	-	216,899,825
Interest, Dividends & Rent on Land Non-Exchange	1,325,934	-	1,325,934
Service Charges	413,280,935	-	413,280,935
Sales of Goods and Rendering of Services	6,171,011	-	6,171,011
Rental from Fixed Assets	609,214	-	609,214
Interest, Dividends & Rent on Land Exchange	18,908,767	-	18,908,767
Operational Revenue	1,454,124	-	1,454,124
	880,107,688	-	880,107,688

43.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Correction of Error	Restated Amount 2018/19
Employee Related Costs	274,158,400	-	274,158,400
Remuneration of Councillors	12,202,166	-	12,202,166
Depreciation and Amortisation	75,855,819	(215,698)	75,640,120
Impairment Losses	45,764,042	-	45,764,042
Interest, Dividends and Rent on Land	6,637,780	-	6,637,780
Bulk Purchases	234,527,407	-	234,527,407
Contracted Services	62,693,690	-	62,693,690
Inventory Consumed	27,381,399	-	27,381,399
Operating Leases	9,510,378	-	9,510,378
Operational Costs	71,487,261	-	71,487,261
Loss on Disposal of PPE	750,454	-	750,454
	820,968,796	(215,698)	820,753,098

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2020
R

2019
R

43.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Correction of Error	Restated Amount 2018/19
Current Assets			
Inventories	9,249,357	-	9,249,357
Receivables from Exchange Transactions	54,093,203	-	54,093,203
Receivables from Non-exchange Transactions	31,122,849	-	31,122,849
Statutory Receivables from Non-Exchange Transactions	-	-	-
VAT Receivable	46,795,893	-	46,795,893
Cash and Cash Equivalents	214,227,967	-	214,227,967
Operating Lease Receivables	234,365	-	234,365
Current Portion of Long-term Receivables	3,000	-	3,000
Non-Current Assets			
Property, Plant and Equipment	2,018,797,106	(470,513)	2,018,326,592
Intangible Assets	243,850	-	243,850
Investment Property	242,551,944	-	242,551,944
Long-term Receivables	13,000	-	13,000
	Prior Year 2018/19 Audited	Correction of Error	Restated Amount 2018/19
Current Liabilities			
Consumer Deposits	17,378,122	-	17,378,122
Provisions	29,648,800	-	29,648,800
Payables from Exchange Transactions	87,382,553	-	87,382,553
Payables from Non-exchange Transactions	-	-	-
Unspent Conditional Grants and Receipts	103,445,548	-	103,445,548
Current Portion of Long-term Liabilities	9,066,539	-	9,066,539
Non-Current Liabilities			
Long-term Liabilities	16,354,409	-	16,354,409
Employee Benefit Liabilities	94,807,417	-	94,807,417
Non-current Provisions	68,637,404	-	68,637,404
Net Assets			
Accumulated Surplus / (Deficit)	2,190,611,741	(470,513)	2,190,141,228
	-	-	-

44.4 Reclassification of Cash Flow Statement

The prior year figures of the Cash Flow Statement have been restated to correctly classify the nature of cash receipts and expenditures of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2018/19 Audited	Correction of Error	Restated Amount 2018/19
Receipts			
Property Rates	181,926,552	1,427,081	183,353,633
Transfers and Subsidies	313,403,865	-	313,403,865
Service Charges	375,024,303	10,041,719	385,066,022
External Interest and Dividends Received	11,946,693	-	11,946,693
Other Receipts	37,942,178	(5,413,240)	32,528,938
Payments			
Employee Related Costs	(271,908,268)	(3,082,023)	(274,990,290)
Remuneration of Councillors	(12,202,166)	-	(12,202,166)
External Interest and Dividends Paid	(3,443,107)	(53,650)	(3,496,757)
Suppliers Paid	(310,518,346)	(25,559,628)	(336,077,974)
Other Payments	(76,114,244)	61,246	(76,052,997)
VAT Paid	(24,082,421)	-	(24,082,421)
NET CASH FLOWS FROM OPERATING ACTIVITIES	221,975,039	(22,578,495)	199,396,544

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property, Plant and Equipment	(94,313,177)	22,626,234	(71,686,943)
Purchase of Intangible Assets	-	(47,739)	(47,739)
Proceeds on Disposal of Property, Plant and Equipment	(628,537)	-	(628,537)
Proceeds on Disposal of Investment Property	-	-	-
Decrease / (Increase) in Long-term Receivables	3,000	-	3,000

NET CASH FLOWS FROM INVESTING ACTIVITIES	(94,938,714)	22,578,495	(72,360,219)
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CASH FLOWS FROM FINANCING ACTIVITIES

Increase in Long-term Loans (Loans Taken-on)	(7,123,483)	-	(7,123,483)
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NET CASH FLOWS FROM FINANCING ACTIVITIES	(7,123,483)	-	(7,123,483)
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NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	119,912,842	-	119,912,842
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Cash and Cash Equivalents at Beginning of Period	94,315,125	-	94,315,125
Cash and Cash Equivalents at End of Period	214,227,967	-	214,227,967

44. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year		23,557,715	34,777,175
Unresolved Correction of Prior Year Errors		-	(686,213)

Adjustment for Non-cash Transactions included in Surplus / (Deficit):

Employee Related Costs	Note 31.1	636,124	7,174,314
Depreciation and Amortisation	Note 33	76,933,561	75,640,120
Impairment Losses	Note 34.4	35,082,782	38,048,056
Interest, Dividends and Rent on Land Paid	Note 35.1	3,211,375	3,141,024

Adjustment for Cash Transactions not included in Surplus / (Deficit):

Exchange Receivables: Bad Debts Written-off			
Non-exchange Receivables: Bad Debts Written-off			
Transfer of Property, Plant and Equipment		(40,364,527)	(22,565,974)
Expenditure incurred from Provisions for Employee Related Costs		(3,003,291)	(3,144,000)
Expenditure incurred from Employee Benefit Liabilities for Employee Related Costs		(5,510,644)	(5,086,000)
Expenditure incurred from Non-current Provisions for Suppliers Paid		(52,200)	-

Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow:

Gains on Disposal of Capital Assets	Note 42.1	-	-
Losses on Disposal of Capital Assets	Note 42.1	(1,717,571)	(750,454)

Operating surplus before working capital changes		88,773,325	127,298,501
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Decrease/(Increase) in Inventories	(431,879)	(2,583,176)
Decrease/(Increase) in Receivables from Exchange Transactions	(9,396,627)	(23,790,640)
Decrease/(Increase) in Receivables from Non-exchange Transactions	13,783,836	(17,340,612)
Decrease/(Increase) in VAT Receivable	(18,984,979)	(24,082,421)
Decrease/(Increase) in Operating Lease Receivables	63,078	34,759
Increase/(Decrease) in Consumer Deposits	697,742	2,137,254
Increase/(Decrease) in Payables from Exchange Transactions	55,724,778	16,667,327
Increase/(Decrease) in Payables from Non-exchange Transactions	235,741	-
Increase/(Decrease) in Conditional Grants and Receipts	(76,518,371)	96,504,040
Other Non-Cash Movements as per Cash Flow section in AFS Notes	(20,347,530)	24,551,512

Cash Generated by / (Utilised in) Operations	33,599,115	199,396,544
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KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
45.1 Unauthorised Expenditure		
Reconciliation of Unauthorised Expenditure:		
Opening Balance:	-	-
Unauthorised Expenditure Current Year:	-	-
Approved/Condoned by Council:	-	-
Unauthorised Expenditure awaiting authorisation	<u>-</u>	<u>-</u>

45.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful Expenditure:		
Opening Balance	34,893,163	35,839,929
Fruitless and Wasteful Expenditure Current Year	27,485	53,650
Expenditure investigated and approved by Council	(34,893,163)	(1,000,416)
To be Recovered	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>27,485</u>	<u>34,893,163</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest and penalties on late payment of trade creditors. - R27,485 (2019: R53,650)</i>	<i>Currently None - subject to possible future investigation</i>

45.3 Irregular Expenditure

		Restated
Reconciliation of Irregular Expenditure:		
Opening Balance:	69,934,095	98,699,214
- As previously stated	<u>69,934,095</u>	<u>98,699,214</u>
Irregular Expenditure Current Year:	1,529,888	7,660,307
- Current Year	<u>1,529,888</u>	<u>7,660,307</u>
Condoned/Written-off by Council:	(69,934,095)	(36,425,426)
- Current Year	-	-
- Prior Year	<u>(69,934,095)</u>	<u>(36,425,426)</u>
Irregular Expenditure awaiting condonation	<u>1,529,887</u>	<u>69,934,095</u>

Current Year:

Incident	Deviation
<i>Invalid deviations - R0 (2019: R2,191,131)</i>	<i>Still to be investigated.</i>
<i>Expenditure Incurred in excess of contract award amount, in respect to the resealing of Roads. - R0 (2019: R5,469,176)</i>	<i>Under Investigation by MPAC.</i>

46. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

46.1 MUNICIPAL FINANCE MANAGEMENT ACT

46.1.1 Contributions to Organised Local Government - SALGA

Opening Balance	-	-
Council Subscriptions	2,947,746	2,567,400
Amount Paid - current year	(2,947,746)	(2,567,400)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.1.2 Pension and Medical Aid Deductions

Opening Balance	-	-
Current Year Contributions	68,602,142	63,008,498
Amount Paid - current year	(68,602,142)	(63,008,498)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.1.3 Audit Fees

Opening Balance	-	-
Current year Audit Fees	4,069,729	4,727,142
Amount Paid - current year	(4,065,954)	(4,727,142)
Balance Unpaid (included in Creditors)	<u>3,774</u>	<u>-</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
46.1.4 PAYE, Skills Development Levy and UIF		
Opening Balance	-	-
Current year Payroll Deductions	44,521,086	39,224,626
Amount Paid - current year	(44,521,086)	(39,224,626)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.1.5 VAT

The net of VAT input receivables and VAT output payables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

65,780,872 46,795,893

46.1.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2019:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2020			
Councillor Februarie ER	19,350	19,350	-
Total Councillor Arrear Consumer Accounts	<u>19,350</u>	<u>19,350</u>	<u>-</u>
30 June 2019			
	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Februarie ER	136,085	-	136,085
Total Councillor Arrear Consumer Accounts	<u>136,085</u>	<u>-</u>	<u>136,085</u>

46.1.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at reporting date.

46.1.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(1) of the Municipal Supply Chain Management Policy approved by the Council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

30 June 2020

Department	Tenderer	Reason	Amount
Finance	Various (9)	Various reasons like impracticality/ urgency/ Continuity and alignment	4,806,564
Infrastructure & Engineering	Various (154)	Various reasons like impracticality/ urgency/ Preferred supplier	87,253,294
Corporate Services	Various (17)	Various reasons like impracticality/ urgency/ Sole Supplier	851,570
Office of MM	Various (46)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	1,284,784
Community Services	Various (17)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	7,571,250
Planning, Development & Tourism	Various (14)	Impracticality	559,173
Total:			<u>102,326,634</u>

30 June 2019

Department	Tenderer	Reason	Amount
Finance	Various (5)	Various reasons like impracticality/ urgency/ Continuity and alignment	436,988
Infrastructure & Engineering	Various (76)	Various reasons like impracticality/ urgency/ Preferred supplier	34,735,932
Corporate Services	Various (4)	Various reasons like impracticality/ urgency/ Sole Supplier	237,022
Office of MM	Various (6)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	349,257
Community Services	Various (35)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	8,646,986
Planning, Development & Tourism	Various (2)	Impracticality	212,290
Total:			<u>44,618,474</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

46.1.9)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2020	Unaccounted Electricity Losses	<u>25,056,544</u>	<u>1.2797</u>	<u>32,064,108</u>
30 June 2019	Unaccounted Electricity Losses	<u>28,653,364</u>	<u>1.1088</u>	<u>31,769,449</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2020 R	2,019 R
Volumes in kWh/year:		
System Input Volume	203,171,890	205,626,242
Billed Consumption	<u>161,861,595</u>	<u>160,522,779</u>
Unaccounted	<u>41,310,296</u>	<u>45,103,464</u>
Normal distribution losses - 8% of electricity purchases	<u>16,253,751</u>	<u>16,450,099</u>
	<u>25,056,544</u>	<u>28,653,364</u>
Percentage Distribution Loss	12.33%	13.93%

Water:

		Lost Units	Tariff	Value
30 June 2020	Unaccounted Water Losses	<u>2,109,840</u>	<u>7.3100</u>	<u>15,422,930</u>
30 June 2019	Unaccounted Water Losses	<u>2,395,185</u>	<u>6.8000</u>	<u>16,287,258</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

	2020 R	2019 R
Volumes in Kl/year:		
System Input Volume	7,234,555	7,437,830
Billed Consumption	<u>5,124,715</u>	<u>5,042,645</u>
Distribution Loss	<u>2,109,840</u>	<u>2,395,185</u>
Percentage Distribution Loss	29.16%	32.20%

46.2 BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on compliance with the B-BBEE Act is included in the Annual Report under the section titled B-BBEE Compliance Performance Information.

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

- Approved and Contracted for:-

Infrastructure
Community
Other

	112,860,883	117,567,900
	<u>102,298,930</u>	<u>112,182,669</u>
	<u>5,886,847</u>	<u>3,552,149</u>
	<u>4,675,106</u>	<u>1,833,083</u>
Total Capital Commitments	<u>112,860,883</u>	<u>117,567,900</u>
This expenditure will be financed from:		
Internal and Grant funding	112,860,883	117,567,900
	<u>112,860,883</u>	<u>117,567,900</u>

The Capital Commitments are VAT inclusive.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

48. FINANCIAL INSTRUMENTS

48.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Staff Related Long Term Receivables	Amortised cost	13,000	-
Receivables from Exchange Transactions			
Electricity	Amortised cost	26,318,850	32,434,811
Refuse	Amortised cost	1,907,985	1,602,661
Sewerage	Amortised cost	2,594,089	2,320,953
Other Service Charges	Amortised cost	1,690,049	1,079,398
Water	Amortised cost	8,149,653	10,841,381
Other Debtors	Amortised cost	724,062	140,060
Control, Clearing and Interface Accounts	Amortised cost	480,017	490,922
Receivables from Non-exchange Transactions			
Deposits	Amortised cost	-	-
Cash and Cash Equivalents			
Call Deposits	Amortised cost	122,294,823	200,626,600
Bank Balances	Amortised cost	18,737,370	13,600,946
Cash Floats and Advances	Fair value	421	421
Staff Related Long Term Receivables	Amortised cost	3,000	3,000
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Long-term Receivables	Staff Related Long Term Receivables	13,000	-
Receivables from Exchange Transactions	Electricity	26,318,850	32,434,811
Receivables from Exchange Transactions	Refuse	1,907,985	1,602,661
Receivables from Exchange Transactions	Sewerage	2,594,089	2,320,953
Receivables from Exchange Transactions	Other Service Charges	1,690,049	1,079,398
Receivables from Exchange Transactions	Water	8,149,653	10,841,381
Receivables from Exchange Transactions	Other Debtors	724,062	140,060
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	480,017	490,922
Receivables from Exchange Transactions	Receivables with Credit Balances	-	-
Receivables from Non-exchange Transactions	Deposits	-	-
Current Portion of Long-term Receivables	Staff Related Long Term Receivables	3,000	3,000
Cash and Cash Equivalents	Call Deposits	122,294,823	200,626,600
Cash and Cash Equivalents	Bank Balances	18,737,370	13,600,946
		<u>210,020,544</u>	<u>294,263,582</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	421	421
		<u>421</u>	<u>421</u>
Total Financial Assets		<u>210,020,965</u>	<u>294,264,003</u>

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Development Bank of South Africa	Amortised cost	6,128,314	15,090,290
Finance Lease Liability	Amortised cost	618,497	1,264,119
Consumer Deposits			
Electricity	Amortised cost	10,835,939	10,563,805
Water	Amortised cost	1,821,417	1,728,648
Other Deposits	Amortised cost	5,418,508	5,085,670
Payables from Exchange Transactions			
Bonus	Amortised cost	-	-
Other Payables	Amortised cost	10,646,509	15,855,564
Retentions	Amortised cost	3,349,136	2,539,496
Salary Related Payables	Amortised cost	816,076	695,462
Trade Creditors	Amortised cost	112,202,790	53,335,629
Advance Payments	Amortised cost	16,092,821	14,956,402
Payables from Non-exchange Transactions			
Transfers and subsidies	Amortised cost	235,741	-
Current Portion of Long-term Liabilities			
Development Bank of South Africa	Amortised cost	8,961,975	7,998,872
Finance Lease Liability	Amortised cost	645,622	1,067,666
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Development Bank of South Africa	6,128,314	15,090,290
Long-term Liabilities	Finance Lease Liability	618,497	1,264,119
Payables from Exchange Transactions	Other Payables	10,646,509	15,855,564
Payables from Exchange Transactions	Retentions	3,349,136	2,539,496
Payables from Exchange Transactions	Salary Related Payables	816,076	695,462
Payables from Exchange Transactions	Trade Creditors	112,202,790	53,335,629
Payables from Exchange Transactions	Advance Payments	16,092,821	14,956,402
Current Portion of Long-term Liabilities	Development Bank of South Africa	8,961,975	7,998,872
Current Portion of Long-term Liabilities	Finance Lease Liability	645,622	1,067,666
		177,773,345	130,181,624
Total Financial Liabilities		177,773,345	130,181,624

48.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2020, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2020

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	421	-	421
Total Financial Assets	<u>-</u>	<u>421</u>	<u>-</u>	<u>421</u>
Total Financial Instruments	<u>-</u>	<u>421</u>	<u>-</u>	<u>421</u>

30 June 2019

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	421	-	421
Total Financial Assets	<u>-</u>	<u>421</u>	<u>-</u>	<u>421</u>
Total Financial Instruments	<u>-</u>	<u>421</u>	<u>-</u>	<u>421</u>

48.3 Capital Risk Management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 21. and the Statement of Changes in Net Assets.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Gearing Ratio

	2020 R	2019 R
The gearing ratio at the year-end was as follows:		
Debt	34,430,272	42,799,070
Cash and Cash Equivalents	(421)	(421)
Net Debt	<u>34,429,851</u>	<u>42,798,649</u>
Equity	<u>2,213,698,944</u>	<u>2,190,141,228</u>
Net debt to equity ratio	<u>1.56%</u>	<u>1.95%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

48.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

48.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 48.8 to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 48.8 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2020 would have increased / decreased by R1,776,299 (30 June 2019: R1,542,711). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

48.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	2020	2019
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Long-term Receivables	13,000	16,000
Receivables from Exchange Transactions	174,948,231	165,551,604
Receivables from Non-exchange Transactions	75,039,832	88,823,668
Bank, Cash and Cash Equivalents	141,032,614	214,227,967
Maximum Credit and Interest Risk Exposure	391,020,676	468,603,238
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:		
	%	%
Consumer Debtors:		
- Household	1.99%	1.79%
- Industrial / Commercial	2.80%	2.10%
- National and Provincial Government	1.44%	0.99%
- Other Classes	0.58%	0.71%
Other Debtors:		
- Other not Classified	23.30%	39.84%
Total Credit Risk	30.11%	45.44%
Bank and Cash Balances		
ABSA Bank Ltd	809,835	777,293
First National Bank	18,401,160	25,579,921
Cash Equivalents	421	421
Total Bank and Cash Balances	19,211,417	26,357,635
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Counterparties without external credit rating:-		
Group 1	15,979,334	17,685,468
Group 2	4,085,123	4,521,297
Total Receivables from Exchange Transactions	20,064,457	22,206,765
Receivables from Non-exchange Transactions		
Group 1	8,130,154	12,229,787
Group 2	2,078,477	3,126,550
Total Receivables from Non-exchange Transactions	10,208,631	15,356,337

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

48. FINANCIAL INSTRUMENTS (Continued)

48.1 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2020								
Non-interest Bearing		0.00%	161,418,937	161,418,937	-	-	-	-
			177,773,345	177,773,345	-	-	-	-
30 June 2019								
Non-interest Bearing		0.00%	104,760,676	104,760,676	-	-	-	-
			130,181,624	130,181,624	-	-	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2020								
Non-interest Bearing		0.00%	68,988,772	68,982,272	6,500	-	-	-
Variable Interest Rate Instruments		6.56%	141,032,193	141,032,193	-	-	-	-
			210,020,965	210,014,465	6,500	-	-	-
30 June 2019								
Non-interest Bearing		0.00%	80,036,458	80,036,458	-	-	-	-
Variable Interest Rate Instruments		7.74%	214,227,546	214,227,546	-	-	-	-
			294,264,003	294,264,003	-	-	-	-

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. All councillors belong to the Pension Fund for Municipal Councillors, whilst employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R28,654,661 (2019: R26,001,803) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

49.1 DEFINED BENEFIT SCHEMES

Government Employees Pension Fund (GEPF):

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a surplus of R0,0 (30 June 2004: deficit of R12,8) million, with a funding level of 100,0% (30 June 2004: 96,5%). The contribution rate paid by the members (7,00%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the

Municipal Employees Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2014.

The net assets available for benefits were R5 715 557 193.

The statutory valuation performed as at 28 February 2014 revealed that the net assets of the fund were R0,0 (28 February 2011: R552,8) million, with a funding level of 100,0% (28 February 2011: 107,9%). The contribution rate paid by the members (7,50%) and Council (15,00%, 18,00% and 22,00%) is not sufficient to fund the benefits accruing from the fund in the future and there is a shortfall in the future employer contribution rate of 12,80% (28 February 2011: 8,10%).

The fund is closed for membership and no new members are allowed to join the fund.

No further information could be obtained.

National Fund for Municipal Workers - Pension Fund:

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration. The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The last statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R9,031,759,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Joint Municipal Pension Fund (previously Transvaal Municipal Pension Fund):

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 September 2007.

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31 December 2005: shortfall of R44,2) million, with a funding level of 123,7% (31 December 2005: unknown). The contribution rate paid by the members (9,00%) and municipalities (22,00%) has a shortfall of 0,90%, but can be covered by the available margin in the fund.

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The fund is closed for membership and no new members are allowed to join the fund.

No information could be obtained.

KOUGA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

49.2 DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

Defined Benefit Scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2012 disclosed an actuarial valuation amounting to R3 014 878 (2011: R2 971 150) million, with a net accumulated deficit of R18 287 (2011: R58 935) million, with a funding level of 99.4% (2011: 104.1%).

Defined Contribution Scheme

The actuarial valuation report at 30 June 2012 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R 421 900 (2011: R386 570) million, net investment reserve of R21 231 (2011: R15 285) million and a funding level of 105.3% (2011: 104.1%).

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 599 and R546 059 (30 June 2011: R9 930,837 in total) million, with funding levels of 99.9% and 108% (2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The Municipal Councilors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assests of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short monatorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;.

National Fund for Municipal Workers - Provident Fund:

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%.From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948.000 (30 June 2011 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%.The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

None of the above mentioned plans are State Plans.

50. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

50.1 Compensation of Related Parties

Name of Related Person	Designation	Description of Related Party Relationship	2020	2019
S. Meleni	Official	Wife of councillor Meleni	474,411	281,045
GE Coenraad	Official	Daughter of councillor Coenraad	288,764	0

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50.2 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Municipal Capacity	Nature of relationship	Purchases for the Year	Purchases for the Year
Central Bridge Trading 436 CC	Z. Tshume	Official	Wife of the director	219,050	560,128
Faulkner Bouers	B. Faulkner	Official	Director is the uncle of this employees	66,300	61,200
Kwa Nandipha Catering	P. Dondashe	Official	Husband of director	15,325	28,280
Algoatime	J. Beda	Official	Husband of the director	-	20,100
Amahle Waste Recycling	NI Dela (Emp 1959)	Ward Committee Member	NI Dela is the director/owner of the company	99,850	7,020
Unomtha Catering	Z Gxuluwe	Official	Daughter of the director	11,520	
Mesrazest	J Hammond	Official	Brother in Law of Director	1,086,900	673,940
Infraforce Africa (Pty) Ltd	E. Sekula	Official	Owner was employed at KLM	24,460	165,955
Mggandu & Coco Trading	C. Mggandu	Official	Husband of Director	85,620	282,247
21st Century Contractors & Transport	S. Prinsloo	Official	Wife of Director	-	-
GGs Engineering	J. Nhlangulela	Official	Director	154,982	234,591
Malubongwe General Trading (Pty) Ltd	H. U. Geleba	Official	Husband of Director	17,800	55,095
JZA Trading (Pty) Ltd	K. Vumazonke	Official	Niece of Director	-	28,600
RE Le Grange t/a RL Trading	J Hammond	Official	Brother in law of sole prop	46,200	-
Martinash Trading (Pty) Ltd	J Savage	Official	Director was an employee from KLM from 1/09/1994 - 27/08/2010	130,130	-
Terr Trillion Friendly (Pty) Ltd	V Yake	Official	Cousin of the director	21,600	-
Total Purchases				1,979,737	2,117,156

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

51. CONTINGENT LIABILITIES

Contingent Liabilities arose due to various claims brought against the Municipality. The attorneys suggested that the matters will be defended, due to the circumstances of each.

The likelihood of successfully defending the claims, as well as the timing and possible costs thereof cannot be determined at this time.

51.1 Court Proceedings:	61,990,685	59,529,870
(i) EA Plaatjies / Kouga Local Municipality: A civil litigation action has been instituted against Kouga Municipality by the Plaintiff for payment of damages relating to a diving incident at a dam in Kruisfontein, Humansdorp for an amount of R12 million.	12,000,000	12,000,000
(ii) Tauris Garden CC: Civil Claim for damages. Awaiting instructions with regards to appointment of quantity surveyor.	0	1,800,000

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	2020 R	2019 R
(iii) Peter John France & Gerald Jack Friedman Trustees of The Rental Company Trust: Claim defended on behalf of Kouga. Currently preparing for trial.	4,000,000	4,000,000
(iii) Nelson Mandela Bay Metropolitan Municipality alleged claim in respect of Water Consumption. NMBM instituted action against Kouga Municipality in respect of an alleged claim of approximately	41,000,000	41,000,000
(iv) Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.: Civil Claim for damages. Awaiting instructions with regards to appointment of quantity surveyor.	47,711	0
(v) Tshepega Civil Engineers (Pty) Ltd / KOUGA Local Municipality Claims for monies owed for professional services rendered	1,900,355	
(v) Various claims due to municipal administrative matters under dispute or investigation:	3,040,599	727,851.39

52. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent -

52.1 Insurance Claims:	1,804,382	197,655
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(i) Lost / Damaged Assets:
The municipality has claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R1,804,382 (2019: R197,655) will be recovered.

	1,804,382	197,655
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53. IN-KIND DONATIONS AND ASSISTANCE

No In-kind Donations or Assistance were received during the year under review.

54. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

55. EVENTS AFTER THE REPORTING DATE

55.1 2020/21 Adjustments Budget:

The 2020 National Supplementary Budget was delivered by the Minister of Finance in Parliament on the 24th of June 2020. The 2020 Supplementary Budget responds to the Covid-19 pandemic and its impact on the economy. This include the R20 billion allocation for local government announced by the President to assist in funding COVID-19 expenditure. This allocation consists of R11 billion added to the local government equitable share and just over R9 billion that was repurposed for the provision of water and sanitation and for sanitising public transport facilities within existing grant allocations to local government. In terms of Section 28(2)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Section 23(3) of the municipal Budget and Reporting Requirements (MBRR), municipalities must adjust their 2020/21 MTREF budgets to account for revised funding allocations that were made available.

The municipality used this adjustments budget to reprioritise the 2020/21 budget to respond to the impact of the COVID-19 pandemic on the budget.

The following adjustments to Grant Funding were received:

	2020/21 Main Allocation R	Adjustments R	2020/21 Adjusted Allocation R
Equitable Share	145,612,000	20,388,000	166,000,000
Total Adjustments to Grant Funding		20,388,000	

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56. PRINCIPAL AND AGENT ARRANGEMENTS

Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is/are as follows:

The Municipality undertakes to handle Motor vehicle license issuing on behalf of the Department of Transport and Province and collects a commission of 22% plus VAT.

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The Resources regarding the Licensing Department, remain there own and do not form part of the municipality's Financial statements

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the entity have a Net Effect of RX that is still owed by the municipality and will be paid over to the Department of Transport in the new financial year.

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories	Additional details
Licensing Fees	Income collected on behalf of DOT and Provincial Transport for Motor Vehicle registration

57. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 43.).

58. COVID-19 EXPENDITURE

Background Information

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point in time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID-19 outbreak as a global pandemic on 11th March 2020.

COVID-19 in South Africa

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

Thus, there will not be any prior year information regarding expenditure in lieu of COVID-19.

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	2020	2019
	R	R
The table below indicates the total COVID-19 response expenditure (excluding VAT) for the period ending 30 June 2020:		
COVID-19 EXPENDITURE		
Capital Expenditure		
Machinery and Equipment	1,192,000	-
Total Capital Expenditure	1,192,000	-
Operating Expenditure		
Materials and supplies	1,984,692	-
Total Operating Expenditure	1,984,692	-
Total COVID-19 Expenditure	3,176,692	-

The table below indicates the Funding Sources for the total COVID-19 response expenditure (excluding VAT) for the period ending 30 June 2020:

	2020	2019
	R	R
COVID-19 FUNDING		
Funding Sources for COVID-19 Expenditure		
Disaster Management Grant	1,192,000	-
Own Revenue	1,984,692	-
Total Funding for COVID-19 Expenditure	3,176,692	-

59. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

- (i) On 26 June 2020 the Council adopted the 2019/2020 to 2022/23 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

The COVID-19 pandemic continues to have a devastating impact on the macro economy and a significant component of the institutions which operate therein. The municipality has not been immune to the impact of the pandemic. The impact and duration of the COVID-19 pandemic in the Province and Kouga's jurisdiction is uncertain at the date of this submission. Management of the municipality is however of the opinion that regardless of the possible effect of the COVID-19 pandemic, the municipality will continue to operate for the foreseeable future, which is usually regarded as at least the next 12 months from the reporting date, however not limited to this timeframe.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.